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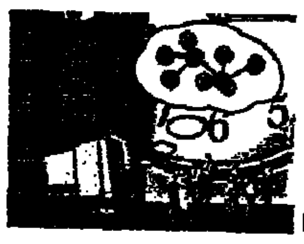

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Best business books
● Finalists in the FT/Booz-Allen & Hamilton Global Business Book Awards

Management, Page 16

Gazprom poised to raise $1bn for tax payment

Russian gas monopoly Gazprom seems set to confirm this week that banks ABN-Amro and Goldman Sachs have been appointed to raise $1bn within three weeks to pay its massive tax bill. Dresdner Kleinwort Benson and Morgan Stanley, which have advised the company on a string of international capital market transactions, appear to have been temporarily sidelined, although they are still working on longer-term financing projects for Gazprom. Page 21

Britain set for Sinn Féin meeting: British officials will today meet Sinn Féin for the first round of talks since February 1996, when the Irish Republican Army ended its 18-month ceasefire with a bomb in London. Page 10

Tokyo ministers linked to bank: Japan's Nomura scandal took a new twist when it emerged that three cabinet ministers held accounts at the securities company. Page 20

Netanyahu rejects settlements claim: Israeli prime minister Benjamin Netanyahu rejected a US report claiming there was no need for Israel to expand settlements since 26 per cent of the homes in the West Bank and up to 56 per cent of those in Gaza were vacant. Page 5

Greece to free telecoms by 2001: Greece agreed to liberalise all telecommunications services by 2001, ending the monopoly of fixed-wire telephony held by OTE, the state telecoms operator. Page 3

Van Miert condemns BA alliance: EU competition commissioner Karel Van Miert restated his opposition to the proposed alliance between British Airways and American Airlines at a meeting in London with new Trade and Industry Secretary Margaret Beckett. Page 21

Kabila arrives in Kinshasa: Laurent Kabila flew in to Kinshasa to take control of Africa's third largest country after his rebel army drove Zaire's president Mobutu Sese Seko from power. New reality, Page 5; Observer, Page 19

US fees system angers airlines: Britain has taken the lead in what is likely to be a growing wave of international complaints over the introduction of a new system of fees for airlines flying over US territory. Page 7

Singapore trade recovers: Singapore reported its best trade performance for six months in April. Page 8

Potential losses grow at Nippon Credit: The level of potential bad loans at Nippon Credit Bank, Japan's ailing long-term credit bank, is Y700bn ($5.55bn), some Y150bn higher higher than previously thought, government officials said. Page 21

EMI pays $30m for Bowie rights: EMI Music has paid $30m for worldwide distribution rights to the back catalogue of recordings by David Bowie, one of the most influential rock artists of the 1970s. Page 21; Global music sales strike a better note, Page 7

Turkey rejects call to extradite Nadir

Turkey rejected British pleas for fugitive businessman Asil Nadir (above, at an hotel in Istanbul) to be extradited. The former head of collapsed business empire Polly Peck has moved from northern Cyprus to Turkey. Page 11

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7,186.43	(-42.45)
NASDAQ Composite	1,347.86	(+8.42)
Europe and Far East		
CAC40	2,751.11	(-35.17)
DAX	3,543.43	(-61.12)
FTSE 100	4,687.5	(-37.7)
Nikkei	20,332.83	(-156.92)

■ US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.332%
Long Bond	95½
Yield	6.933%

■ OTHER RATES

UK: 3-mo interbank	6⅛%	(same)
UK: 10 yr Gilt	101⅞	(same)
France: 10 yr OAT	98.78	(closed)
Germany: 10 yr Bund	101.42	(closed)
Japan: 10 yr JGB	103.8621	(103.7346)

■ NORTH SEA OIL (Argus)

Brent Dated	$20.09	(19.95)

■ GOLD

New York Comex		
(May)	$342.7	(341.2)
London:		
close	$342.55	(341.75)

■ DOLLAR

New York lunchtime		
£	1.644	
DM	1.6975	
FFr	5.72085	
SFr	1.409	
Y	113.55	
London:		
£	1.6457	(1.6386)
DM	1.6949	(1.7072)
FFr	5.7087	(5.748)
SFr	1.4082	(1.4283)
Y	113.67	(115.19)
Tokyo close:	Y 113.3	

■ STERLING

DM	2.7893	(2.7973)

Wait-and-see policy adopted as US inflationary pressures remain weak

Markets rise as Fed sticks to rate

By Gerard Baker in Washington

The US Federal Reserve yesterday left short-term interest rates unchanged, choosing to wait to see how far the strong pace of US economic growth this year slows over the next few weeks.

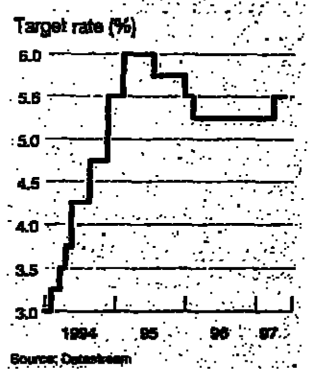
The decision by the US central bank's policy-making open market committee to leave its federal funds rate, the rate at which it lends to the banking system, at 5.5 per cent, gave an immediate lift to financial markets, although some gains were soon lost as investors reacted to fears over a rate rise at the next Fed meeting on July 1-2.

Investors had been uncertain whether the central bank would tighten monetary policy again following the quarter-point increase in short-term rates at the committee's last meeting in March, and responded to the unchanged policy with initial delight.

Some 30 minutes after the announcement the Dow Jones Industrial Average was up 18.54 at 7,247.42 after rising more than 30 points immediately after the news. Bond prices were mixed with the 30-year benchmark bond rising but then falling back. The dollar was down Y3.25 on the day against the yen, with the bulk of the fall preceding the Fed's decision.

In line with usual practice, the Fed made no statement on its decision to leave policy unchanged. But most economists believed it represented a fine, and by no means irreversible, judgment by the central bank that the current condition of the economy did not warrant an immediate extra interest rate increase.

US federal fund rate



Source: Datastream

"The fed is trying to balance the fact that the economy is now obviously at close to full capacity with very low unemployment, against the fact that there are still no obvious signs of inflationary pressure and some evidence that the economy is already slowing down," said Mr Richard Rippe, chief economist with Prudential Securities in New York.

In March the Fed raised rates in what it said was a pre-emptive strike against the risk of accelerating inflation from a sizzling economy. US output grew at an annual rate of 5.6 per cent in the first three months of the year, far in excess of what the Fed's economists regard as the economy's capacity to expand without an acceleration in inflation.

Unemployment in April fell to 4.9 per cent, the lowest level in a generation, a sure sign of growing capacity constraints. Those figures had suggested to most economists that the central bank would follow up the March increase with another hike at yesterday's meeting.

But in recent weeks the economic data have suggested the economy slowed markedly in April, and it is probably this slowdown that stayed the Fed's hand this time.

The central bank's policy makers will also have been impressed with the continuing absence of any clear sign of inflationary pressures in the last few months, in spite of the strength of demand growth. Consumer price inflation remains dormant at below 3 per cent a year, while producer prices are rising at a rate of less than 1 per cent.

But there was some speculation too that politics might have played a small role in the central bank's decision yesterday. Earlier this month, the White House and the Congress reached an historic agreement on plans to balance the federal budget by 2002.

Mr Alan Greenspan, the Fed chairman, has repeatedly said fiscal retrenchment would be rewarded with a more accommodating monetary policy. And the Fed also came under heavy fire from some politicians after its decision to raise rates in March, without any clear sign of inflation.

Members of the open market committee will now watch closely for more evidence that the slowdown is continuing and that no inflationary pressure is emerging.

Cook asks for concessions from Europe

Britain wants guarantees on borders and immigration

By Lionel Barber in The Hague

The British government yesterday urged its European Union partners to offer concessions on their plan to create new EU-wide powers in asylum, immigration and justice matters.

Mr Robin Cook, UK foreign secretary, made the appeal in The Hague where he attended his first meeting of EU foreign ministers, discussing a draft text of revisions to the 1992 Maastricht treaty on European union.

The majority of EU countries view the creation of a common area of "freedom, security and justice" as the centre-piece of the Maastricht 2 treaty which they plan to conclude in Amsterdam in mid June.

Mr Cook said the UK's new Labour government had shown flexibility across the board in areas such as environmental policy, more majority voting, agreeing to an end to Britain's opt-out of EU social policy. It was vital that Britain secured a water-tight guarantee that it controlled its borders and its national immigration policy.

"I do not come to The Hague in order to wreck a deal," he said, drawing a contrast with the previous Conservative government's hard-line negotiating stand in the EU's intergovernmental conference. "I come in order to get a good deal which is in the interest of Britain and of Europe."

Mr Hans van Mierlo, Dutch foreign minister and host, said the rest of Europe was willing to show understanding of Britain's special status as an island nation, but Britain had to understand that countries with common borders wanted to co-operate more closely.

"If you start from this position, it must be possible to reach an agreement," said Mr van Mierlo.

The new draft text avoids dealing with the most sensitive issue of institutional reform, touching on the balance of power between small and larger members. This is widely seen as necessary to

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German foreign minister Klaus Kinkel checks documents before a European Union working session in the Hague yesterday as negotiations continued on proposed Maastricht treaty revisions ahead of a summit next month

EU protests at Chinese trade discrimination

By Tony Walker, Peter Montagnon and John Ridding in Beijing

The European Union yesterday protested to Beijing over discrimination against two member states which last month sponsored a resolution critical of China's human rights behaviour.

Mr Endymion Wilkinson, EU ambassador in Beijing, said the commission viewed with "great concern" indications that Danish and Dutch companies had been penalised because of attempts to censure China at the United Nations Human Rights Commission in Geneva.

Mr Wilkinson said China had redirected contracts for upgrading provincial airports from a Dutch company to a French competitor and had postponed an expected authorisation for Maersk, the Danish shipping line, to expand in China.

The EU was split last month over attempts to criticise China's human rights record, with France successfully opposing a resolution from Denmark which was supported by the Netherlands. China warned countries sponsoring the resolution that relations would be affected.

Mr Wilkinson described China's action against Dutch and Danish companies as "incompatible" with its attempts to become a member of the World Trade Organisation. He said the discrimination was regarded in Brussels as an action against the EU as a whole.

China is set to resume WTO membership negotiations in Geneva today.

The EU decision to protest to Beijing was made in Brussels last week with France's support, when President Jacques Chirac was in China for a visit during which contracts worth about $2bn were signed by French companies.

China rejected the criticism, and said there was no discrimination against Denmark or the

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Bank of England to lose role as banking supervisor

By George Graham, Banking Correspondent

The British government yesterday launched a radical overhaul of financial services regulation which will strip responsibility for banking supervision from the Bank of England.

Mr Gordon Brown, the chancellor (finance minister), said supervision would be transferred from the Bank to the Securities and Investments Board, the umbrella organisation which currently oversees a variety of other regulators.

In a second phase those regulators would also be merged into the SIB, creating a single authority with sweeping powers over banks, financial services companies and markets.

"It is clear that the distinctions between different types of financial institution - banks, securities firms and insurance companies - are becoming increasingly blurred ... So there is a strong case in principle for bringing the regulation of banking, securities and insurance under one roof," he said.

Mr Howard Davies, deputy governor of the Bank, will take over as chairman of the new and expanded SIB when Sir Andrew Large steps down in July.

The new UK government's plans to roll regulators such as the Securities and Futures Authority and the Investment Management Regulatory Organisation into the SIB had been widely aired, but the decision to strip the Bank of its traditional supervisory powers was not even hinted at in the Labour party manifesto during the election campaign.

The decision follows just two weeks after the chancellor gave the Bank operational independence for monetary policy, while at the same time taking away its traditional responsibility for the gilts market.

If the UK were eventually to join European monetary union, the Bank would be left with an even more restricted role, roughly equivalent to that of one of the regional federal reserve banks in the US..

Mr Alistair Darling, chief secretary at the UK Treasury, said that legislation to move supervision from the Bank to the SIB would be introduced this summer and could be law by the autumn.

The overhaul of the 1986 Financial Services Act, which will roll the SFA and other regulators into the SIB, will not take place until late next year.

The government is still looking at how best to regulate the insurance industry, currently regulated by the Department of Trade and Industry, and the London Stock Exchange and the building societies.

Mr Eddie George, the Bank's governor, has repeatedly argued against removing supervision from the Bank. In a meeting with Bank staff hurriedly called yesterday, he made it clear that he had not been consulted about the decision.

CONTENTS

NEWS: REFORM OF THE EU

Marching towards the millennium

Dutch prime minister Wim Kok: trying to stem the tide of difficult issues which threaten European unity

Negotiations on a new treaty to prepare the European Union for the 21st century are moving to a climax. On Friday, EU leaders will seek a breakthrough on reforms at a summit in the Netherlands. **Lionel Barber** explains what is at stake

This week's meeting in the Dutch coastal town of Noordwijk follows 14 months of negotiations – the intergovernmental conference – on a revision of the Maastricht treaty of 1992. They are scheduled to be concluded at a summit in Amsterdam next month led by Mr Wim Kok, prime minister of the Netherlands, which currently holds the EU presidency.

What is an intergovernmental conference or IGC?

It is like a constitutional convention. EU leaders can call an IGC by simple majority vote to make changes in the 1957 Treaty of Rome, which founded the European Economic Community. The most notable example is the Maastricht treaty, which created the European Union and established a timetable for economic and monetary union by January 1, 1999.

Why are we having another IGC so soon after Maastricht?

Good question. The British, Danes and Swedes would prefer not to be holding a new constitutional debate in front of their Eurosceptic citizens. But Maastricht I was a compromise between Germany and the Benelux countries pushing for a federal Europe and sovereignty-conscious defenders of the nation state led by Britain and France. The Germans wanted more political integration to balance their agreement to give up the D-Mark in exchange for the single currency. The Euro-maximalists secured a commitment that the EU would review the treaty.

So what went wrong?

Few people, including Mr Helmut Kohl, the German chancellor, realised how difficult it would be to secure treaty ratification.

The Danes only endorsed Maastricht after a second referendum. The French narrowly approved Maastricht in their own referendum in September 1992. The British House of Commons agreed to ratify the treaty, but only after a traumatic debate for the ruling Tory party. Even the German constitutional court expressed misgivings about Maastricht.

Is economic and monetary union (Emu) on the IGC agenda?

No, because EU leaders have no intention of reopening the deal on the single currency struck at Maastricht. They are also steering clear of other sensitive issues linked to enlargement, such as reform of the common agricultural policy and a new EU budget to run from 2000 to 2006. These will be dealt with after the conclusion of the IGC.

So is the new IGC just a 10,000km service on the old treaty?

That's the way the British would like to see it. But Maastricht II is also about the EU adapting its institutions and decision-making to cope with the prospective entry of new members from former communist central and eastern Europe. The argument is that an EU with 20-plus countries would grind to a halt without institutional reform.

What is institutional reform?

Let's start with the size of the European Commission. At present, big countries such as Britain, France, Germany, Italy and Spain have two Commissioners; smaller countries such as Belgium, Ireland and Luxembourg have one. That makes 20 Commissioners in all. But if the union expands from 15 to 25 members, the number would grow to over 30 – a management nightmare.

What about majority voting and rules on unanimity?

At present, decisions related to the single market are taken by majority, but unanimity applies in sensitive areas such as foreign policy as well as immigration and justice affairs. The French and Germans would like to broaden majority voting, subject to countries being able to wield a veto on matters of vital interest, but the British, Spanish and others are uneasy. A modest increase in majority voting seems likely.

Are British fears about being steamrollered in the council justified?

Majority voting is the source of many myths. Votes are rarely taken in the council because they are inherently divisive. The fear of being isolated or outvoted provides the incentive to compromise. Besides Germany – not Britain – is the country most often outvoted in council.

How does qualified majority voting (QMV) work?

To take a decision, countries need to muster enough votes to cross the threshold known as a "qualified" majority. Each country is allotted votes according to its population. As the EU has expanded from the original six to the present 15, the system of voting weights has progressively favoured the smaller countries. Thus Luxembourg (population 400,000) has two votes, but Germany (80m) has only 10 votes.

What is unfair about that?

With the original six European Community members (France, Germany, Italy, and the Benelux countries) the balance of voting weights meant decisions could only be taken if countries representing 70 per cent of the community's population supported them. Today, with 15 members, the figure has fallen to 58.3 per cent. It could fall to 50.3 per cent with 26 members, to the point where Britain, France, Germany and Spain could be outvoted by the rest. This raises serious questions of legitimacy.

So what are the likely changes?

One possible deal is that big countries will give up one of their commissioners in return for the small countries agreeing to rebalance the voting weights. The qualified majority could be raised to, say, 60 per cent or 65 per cent of the population; or a "double majority" which would include an appropriate percentage of the population and the current weighted majority.

Any other ideas to make an enlarged EU work better?

The treaty will include provisions for the use of "flexibility" whereby some countries which are willing and able can forge ahead of others. But strict rules will apply, such as the need for a quorum of countries to support the proposal, a review by the European Commission and an agreement that it cannot apply in "core" areas such as the single market or competition policy. In foreign policy, this would mean applying the rule of "consensus minus one".

This all sounds incredibly abstruse; what is Maastricht II offering the ordinary citizen?

The centrepiece of the new treaty is closer co-operation between national police forces, common policies on immigration and asylum, and the eventual lifting of all passport controls. EU leaders will hail these provisions as the creation of a common area of "freedom, security and justice".

Does the hype match the reality?

Maastricht II would incorporate the 1985 Schengen agreement which provides for the gradual abolition of border controls. Despite occasional hitches, free movement exists between Germany, France, Belgium, the Netherlands, Luxembourg, Spain, and Portugal. Austria, Denmark, Finland, Greece, Italy and Sweden have signed Schengen, but not implemented it fully.

Supporters say bringing Schengen into the treaty would mean easier decision-making, more democratic accountability via the European Court of Justice and more police co-operation to tackle organised crime and illegal immigration exploiting the single market. No one is talking about a Euro-FBI or a harmonisation of criminal codes, but the new EU-wide treaty framework would be an important step to deeper integration.

What about the British?

The new Labour government has serious concerns about giving the European court authority in immigration matters. It also wants an explicit reference in the treaty guaranteeing British control of its borders, along with a common travel area with Ireland. It is likely to secure such a promise.

What difference has the new British government made to the IGC negotiations?

For now, plenty. EU leaders gave up on the Conservatives because they were paralysed by Eurosceptics. Labour's charm offensive is working because Tony Blair played down expectations of change. Labour's decision to sign up to the Maastricht treaty's social protocol, though expected, caused hearts to flutter in Brussels. Labour will also support an employment chapter in the new treaty.

But surely Britain has other difficulties?

Yes. Labour and neutral countries such as Ireland, Sweden, Finland and Austria oppose the Franco-German plan for a progressive merger of the EU and the Western European Union, its embryonic defence arm. They reckon it would mean turning the EU into a collective security organisation rivalling Nato. But the new treaty is likely to provide for EU countries to take part in joint peacekeeping.

What about changes in foreign policy decision-making?

The treaty will set up a policy planning unit in Brussels and appoint a "face" to make EU foreign policy more visible to the outside world. In practice, this is already happening. The EU has a string of special envoys, including Mr Carl Bildt, the former high representative in Bosnia.

What does the European Commission want in the IGC?

The days when the Commission sought new areas of responsibility or legal powers are over. Now it is more interested in protecting its authority – such as the right of initiative – than in extending it. But it does want to extend its negotiating rights in trade policy to the fast growing intellectual property and service industries under an amendment to article 113 of the Treaty of Rome. This is a benchmark for the new treaty.

What about the European parliament?

The parliament was a bigger winner in Maastricht I, gaining powers to amend or block legislation under so-called co-decision. In Maastricht II, it will have to settle for a more modest outcome. Its key demand is to extend co-decision to all areas settled by majority vote in the Council of Ministers.

What are the chances of a deal in Amsterdam?

We will probably get a "political agreement" in Amsterdam on the main points, but the final text will have to be wrapped up after Luxembourg takes over the EU presidency on July 1. It could take another summit to do the job. A delay beyond the summer holidays would be a serious blow, jeopardising an already tight timetable for selecting candidates for enlargement.

Is Maastricht II the end of road?

Certainly not. More changes will be needed to accommodate a 20-plus community. The advent of monetary union will create a core group committed to faster integration. Chancellor Kohl is already talking about Maastricht 3, 4 and 5.

The arguments: where the 15 stand

? = country's policy undecided

	Austria	Belgium	Denmark	Finland	France	Germany	Greece	Ireland	Italy	Lux	Neth	Portugal	Spain	Sweden	UK	European Commission
Do you support more qualified majority voting?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Do you support super-qualified majority voting?	?	?	✗	✗	?	✓	?	✗	?	?	?	✗	?	✗	✓	?
Do you support flexibility?	✓	✓	✓	?	✓	✓	?	?	?	✓	✓	?	?	✓	?	✓
Should flexibility depend on unanimity?	✗	✗	✓	✗	✗	✗	?	✓	✗	✗	✗	?	✓	✓	✓	✗
Would you introduce an employment chapter?	✓	✓	✓	✓	✓	?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Would you merge the EU and Western European Union?	✗	✓	✓	✗	✓	✓	✓	✗	✓	✓	?	✓	✓	✗	✗	✓
Should each EU member continue to be guaranteed an EU commissioner?	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Would you increase majority voting on justice matters?	✓	✓	✗	✓	?	✓	✓	✓	✓	✓	✓	✓	✓	?	✗	✓
Would you increase the powers of the European Court of Justice?	✓	✓	✗	✓	✗	✓	✓	?	✓	✓	✓	✓	?	✗	✗	✓
Should the president have the power to remove individual commissioners?	✓	?	✗	✗	?	?	?	?	?	✓	✓	✗	✗	✗	?	?

Based on a concept by the European Policy Centre, Brussels

GUIDE TO THE JARGON

Co-decision: *The power given to the European parliament to amend or block EU legislation.*

Employment chapter: *The new Maastricht II treaty will add to the social protocol (see below) largely rhetorical provisions on the need to tackle unemployment in Europe. It will provide for greater co-ordination of EU-wide labour policy and establish a new committee in Brussels.*

Flexibility: *Brussels jargon for new treaty clauses allowing countries interested in closer co-operation to move ahead without being held back by laggards wielding vetoes.*

Intergovernmental conference: *Rolling negotiations at civil servant, ministerial and head of government level, which lead to changes in the treaties of the European Union. Examples: the single market and economic and monetary union.*

Qualified majority voting (QMV): *This system skirts the need for unanimity, but also prevents countries imposing their will on others. Countries mustering 26 votes in the council can block a proposal. QMV applies to areas such as the single market.* **Super-qualified majority voting** *would require decisions to be made by a majority of the member states representing also a majority of the EU's population.*

Quota hopping: *The practice whereby foreign fishermen, mainly Spanish and Dutch, invest in British-registered boats and exploit UK quotas fixed under the Common Fisheries Policy.*

Schengen: *The 1985 accord between EU governments which provides for the eventual abolition of border controls. Likely to be incorporated in the Maastricht II treaty.*

Second pillar: *Maastricht treaty jargon for the EU's common foreign and security policy (CFSP) which involves loose co-operation between national governments and unanimity in decision-making; the* **third pillar** *means similar decision-making on justice, home affairs, asylum, and immigration. Maastricht made this strictly intergovernmental, but the rules will be modified in this year's IGC. (The* **first pillar** *was the name given to the existing European Community framework.)*

Social protocol: *The Maastricht treaty agreed a social protocol setting down minimum standards of social policy in the EU with Britain obtaining an opt-out. The new British government has pledged to end this opt-out as part of the new treaty.*

Subsidiarity: *The code for devolving decision-making to the lowest appropriate national or regional level.*

Transparency: *Nordic countries want to give ordinary citizens the right to information about EU decision-making, so they can understand what is going on in Brussels. More freedom of information is likely.*

Voting weights: *Each country is allotted votes in the decision-making Council of Ministers according to its population. Smaller countries such as Luxembourg (population 400,000) have two votes, while Germany (80m) has only 10.*

Western European Union (WEU): *First established in 1948, this organisation is slowly evolving into the defence arm of the EU. Maastricht II is expected to give it responsibilities for peacekeeping.*

Lionel Barber

هكذا من الأصل

Athens responds to pressure from Brussels for early end to OTE's monopoly

Greece to liberalise telecoms by 2001

By Karin Hope in Athens

Greece has agreed to liberalise all telecommunications services by January 1 2001, ending the monopoly of fixed-wire telephony held by OTE, the state telecoms operator.

Other services such as satellite communications and cable television are to be opened up to competition over the next year.

The Socialist government came under pressure from the European Commission to speed up liberalisation after claiming that OTE would not be able to finish modernising its network before 2003, the original EU deadline for liberalisation in Greece, Spain, Portugal, Luxemburg and Ireland.

The Commission has started legal procedures against Greece for failing to implement EU directives on setting up an independent telecoms regulatory authority, allowing competition in satellite communications and cable television networks and making leased lines available at fair prices.

A Greek official said the compromise on ending OTE's monopoly by 2001 came after "acrimonious discussion" on issues such as the government's decision to grant OTE a mobile telephony licence without holding an international tender and delays by the fledgling regulatory authority in approving licence applications from Internet service providers.

Greece will be the last EU member to liberalise its telecoms infrastructure, one year after Portugal and Ireland.

The deadline for other member states is January 1 1998.

OTE plans to step up the pace of digitalising its network using proceeds from the sale in June of a second equity tranche of 12 per cent through the Athens stock exchange. An OTE official said yesterday that "about 80-85 per cent of the network" would be digitalised by the end of 2000.

Close links between OTE's senior management, its powerful trade unions and the governing Panhellenic Socialist Movement have been blamed for the slow pace of telecoms liberalisation in Greece.

The exception is cellular telephony, where two private operators controlled by Vodafone of the UK and Italy's Stet offer competitive GSM services.

An OTE subsidiary in which Norway's Telenor holds a minority stake is to launch a DCS1800 mobile service later this year. But the government has agreed with the Commission that other operators will be permitted to apply for DCS licences.

The state operator will also control a new company, Maritel, which plans to offer specialised telecoms services to shipping companies based in Piraeus. A consortium led by OTE earlier this year won an international tender organised by the Union of Greek Shipowners, which will have a minority stake in Maritel.

Simon set for Europe role

Former BP chief is no stranger in Brussels, writes Emma Tucker

Unlike the faltering debuts some new British Labour ministers have made in Europe, Sir David Simon, the former chairman of BP, now minister for trade and competition in Europe and soon to be Lord Simon of Highbury, is expected to glide effortlessly onto the Euro-scene when he takes his place at the Council of Ministers today.

Fluent in French and German and with a smattering of other European languages, the businessman-turned-statesman is a well known figure in Brussels.

As a member of the European Round Table (ERT) of Industrialists and the European Commissions's Competitiveness Advisory Group, he is not only well versed in the jargon of Europe, but responsible for some of it too.

Catch phrases now commonplace at internal market and industry council meetings can be traced back to him – for example, "benchmarking" the industry system of identifying companies' best practice that was enthusiastically taken up by the Commission after a presentation by Sir David.

"He completely turned the minds of the Commission officials," says Mr Keith Richardson, secretary general of the ERT. "He took off his jacket and marched up and down the stage. It was electrifying."

Convincing the Commission is one thing, but next year Sir David will spearhead efforts to sell a British "supply side" vision for Europe during its six-month presidency of the EU, starting in January.

This will encompass greater employment flexibility in the name of job creation and a hard push to complete the single market.

Many member states, including France and Germany, are wary of British notions of "flexibility", fearing an Anglo-Saxon plot to dismantle the European social model. That may be why British diplomats in Brussels are careful now to talk about "employability" rather than flexibility.

The ambitious goal of completing the single market will also require Sir David to challenge the Union's laggards, notably Germany, which has slipped to the bottom of the league tables showing countries' performances in implementing single market laws.

Simon: wrote the jargon

He will also have to handle what are, given his former existence, some sensitive dossiers: for example, the Commission proposal to raise minimum tax rates on car and heating fuels and extend them to natural gas and electricity – proposals that have been heavily criticised by industry.

One of his first challenges arises today at the internal market council, where the question of how to bring about a European company statute is on the agenda. An enthusiast for the statute – which would allow companies to organise themselves at a European level – in his former guise, Sir David is expected to signal some British doubts about the latest plans for implementing the stalled proposal.

Even so, there is no disguising the delight that many in Brussels feel at his appointment.

"The combination of Lord Simon's appointment, the Commission's action plan on the single market, and the British presidency next year is a very happy coincidence," said one contented official.

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Emu set to raise competition by fund managers

By Richard Lapper, Capital Markets Editor

Competition among European fund managers will intensify as a result of monetary union, a report published this week predicts.

The report by Frank Russell, the international investment advisers, says regulations which at present restrict cross-border investment will become "increasingly unsustainable" after the single currency is introduced in 1999.

After national currencies disappear, it says, it will be hard for authorities in one country to discriminate against investment in another on grounds of risk.

The report, based on responses from 116 fund managers who administer European assets, says the industry will face pressure to increase resources devoted to research in order to remain competitive, posing particular problems for smaller firms.

At the same time, many managers will remain in the industry for strategic or non-commercial reasons, adding to the potential for over-capacity.

The industry's customers could also become more powerful. For example, some multinational companies with pension funds in several European countries may be able to rationalise their investment arrangements and appoint a smaller number of firms to manage domestic equity and fixed income assets.

Separately, the report says fund managers are expecting to change the way they select investments as a result of the single currency.

When they value stocks, for example, managers expect to attach more importance to industry comparisons across the continent and less weight to domestic market considerations.

When equity managers select investments, they will also place more emphasis on the economic sectors of particular stocks rather than their countries of origin.

Managers specialising in bonds will rely less on favouring particular currencies and countries to make above-average returns, and more on the returns offered by bonds of different maturities. Continental European managers expect to make more use of analytical tools in this respect.

EUROPEAN NEWS DIGEST

Greenpeace in attack on fuel

European Union governments yesterday came under heavy fire from Greenpeace, the environmental pressure group, for spending almost $15bn on subsidies for fossil fuel and nuclear industries and just $1.5bn on environmentally friendly renewables.

Separately, Greenpeace claimed an important propaganda victory when a senior oil industry executive conceded it had a point in querying new oil exploration when greenhouse gas emissions from existing reserves might already be contributing to global warming.

Mr Heinz Rothermund, managing director of Shell UK Exploration and Production, said in a speech last night Greenpeace's crusade against developing the North Atlantic "frontier" raised a "key question". "Undoubtedly, there is a dilemma," said Mr Rothermund, whose own company is active in developing the new oil fields.

The group said that its report on subsidies revealed the "hypocrisy of European governments" in calling for action to fight climate change, believed to be linked to the consumption of fossil fuels, while spending "billions propping up its cause". *Leyla Boulton, London*

Boost for east Germany

The Bonn government has agreed a plan with business and trade unions aimed at boosting employment and competitiveness in eastern Germany.

Central to the "common initiative for more jobs in eastern Germany", which Chancellor Helmut Kohl will unveil tomorrow in Berlin, is a commitment by employers and trade unions to loosen further the system of industry-wide pay agreements. This would allow companies in eastern Germany to strike more localised pay and benefits settlements with their workers rather than being bound by national agreements.

Many companies in eastern Germany complain that reference to pay rates in western Germany has driven up costs and held back growth, and an estimated two-thirds of them already operate outside the national pay bargaining system. *Frederick Stüdemann, Berlin*

Yeltsin dismisses ally

The Russian government's anti-corruption drive gathered momentum yesterday as President Boris Yeltsin turned against one of his staunchest former allies, dismissing General Konstantin Kobets, a deputy defence minister, from all his military posts.

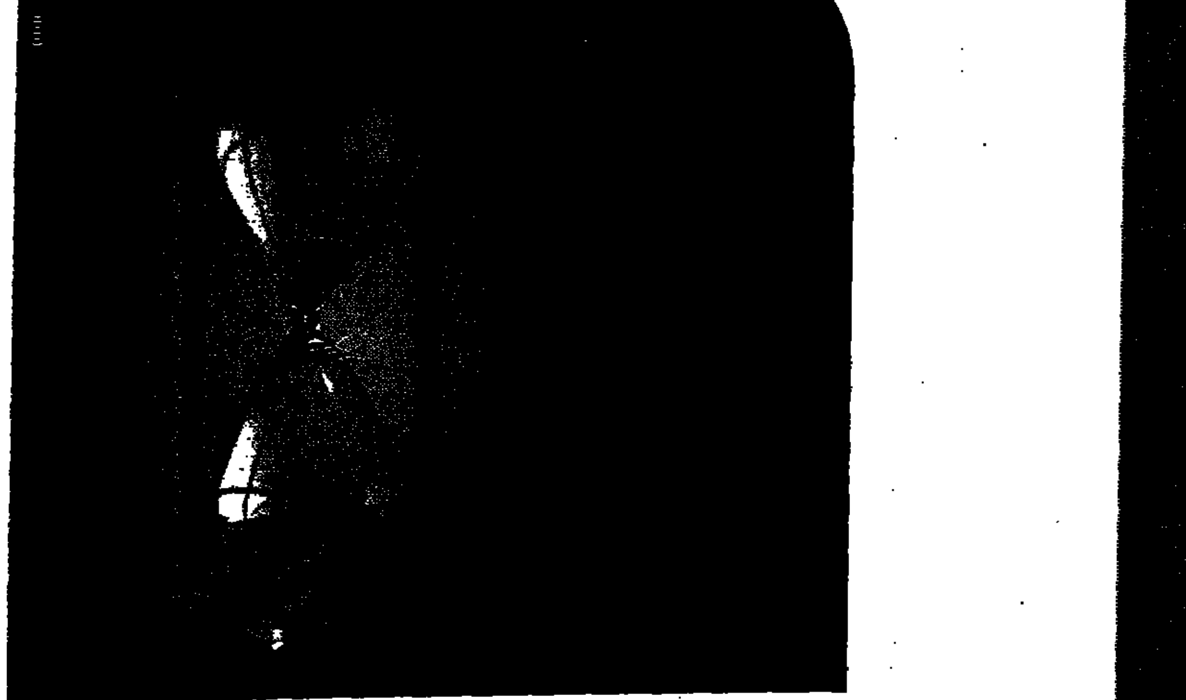
Prosecutors have charged Gen Kobets with taking bribes and embezzlement. He came to Mr Yeltsin's aid in 1991, helping him to face down a hardline communist coup, and also provided decisive support two years later in crushing an armed revolt. *John Thornhill, Moscow*

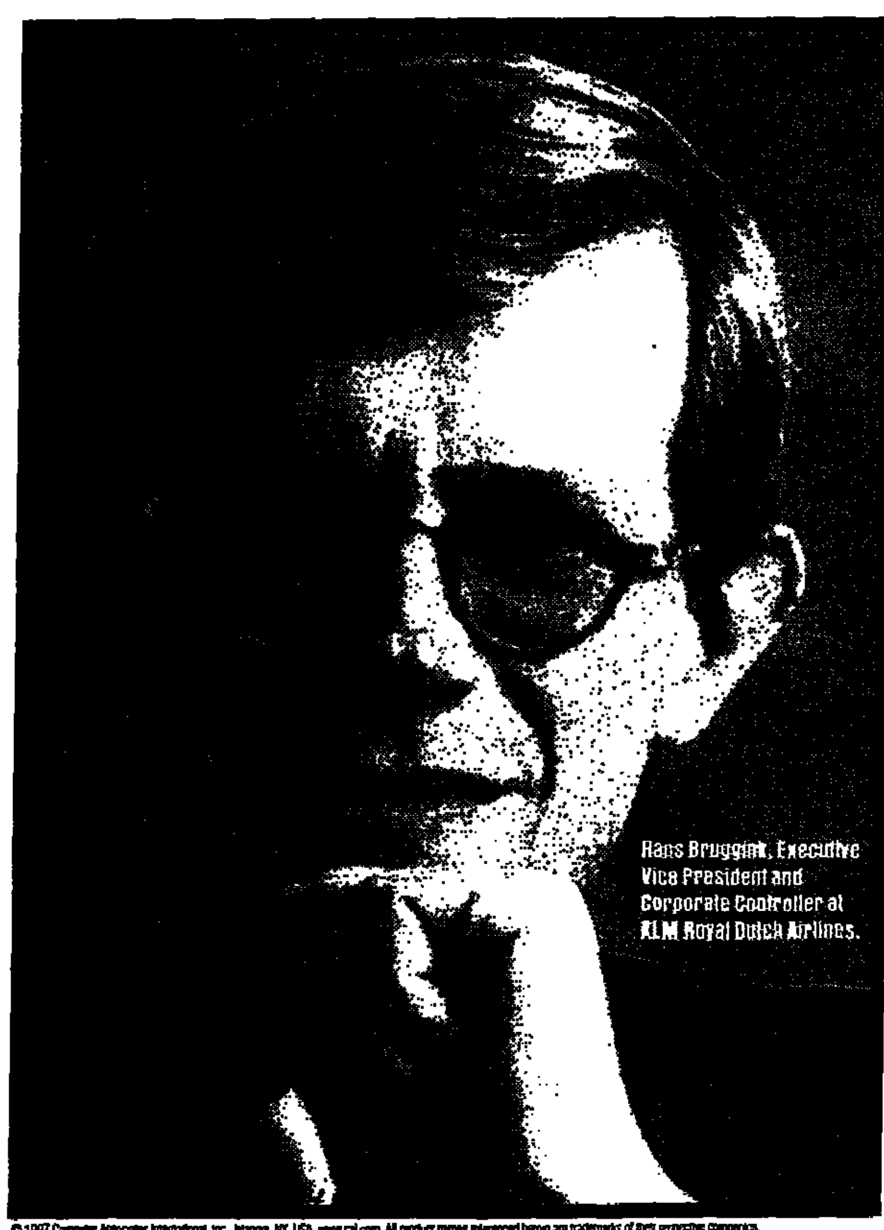
Check, please

The local authorities have suspended operations of the now notorious Fisherman's Inn in Budapest pending a thorough examination of its operations.

The Hungarian Consumer Protection Agency had requested suspension on grounds that management had violated operating regulations. The Fisherman's Inn has made headlines in the past week after a Danish tourist was charged almost $6,000 for a meal and drinks for four.

The Dane had apparently been set up after meeting two Hungarian "consumer ladies" who suggested the restaurant for a meal. *Kester Eddy, Budapest*





Chirac pushes centre-right stance

By Andrew Jack in Paris and David Buchan in Vitrolles

President Jacques Chirac last night stressed the importance of France being represented by a "single, strong" voice in Europe to defend its interests, in a rare intervention to support the ruling centre-right majority against a leftwing victory in the general election campaign.

Speaking before a meeting in Paris with Mr Helmut Kohl, the German chancellor, President Chirac made only his second public comment since the race for the National Assembly began to indicate his opposition to a cohabitation with the Socialist party.

His warning echoed an earlier claim by Mr Alain Juppé, the prime minster, that a socialist government would create a "shambles" in Europe. Launching a stinging attack in the final few days before the first round of voting on Sunday, Mr Juppé, who heads the governing centre-right coalition, argued that a leftwing government led by Mr Lionel Jospin, would be a recipe for the "failure" of the single European currency.

He stressed the long-standing opposition to the euro of the French Communist party – which set out a series of common positions in a historic joint statement with the Socialist party last month – and said that a cohabitation of the left with President Jacques Chirac would be "embarrassing" and "a last resort".

His comments came as leading figures in the centre-right parties appeared to be increasingly playing down suggestions that Mr Juppé would be replaced as prime minister if the incumbent government was re-elected.

Mr François Léotard, head of the UDF which shares government with Mr Juppé's RPR party, stressed the prime minister should remain in charge if the right won. "You don't demote the general the day after his victory," he said.

Mr Jospin appeared to back-pedal on some of the initial election pledges by the Socialist party, stressing that there would have to be "arbitrages" between reduced working hours, wage levels and job creation.

He also tempered the socialists' controversial proposals to halt the privatisation of France Télécom, saying that he would consult the company's employees before deciding whether to proceed with the sell-off.

However, he said a leftwing government would not respect the stability pact on fiscal discipline agreed at the Dublin summit of EU ministers last year, which he called an "absurd" concession given by the French government to the Germans.

Mr Jean-Marie Le Pen, leader of the extreme rightwing National Front, refused before a meeting of the Foreign Press Association in Paris formally to endorse the socialists in the second round of voting on June 1.

But he said a leftwing victory would help paralyse implementation of the policies of President Chirac, who he said had a "criminal" plan to "dissolve France into a Maastrichtian vision of Europe".

Alain Juppé (left) discusses the Stade de France with soccer star Michel Platini after a visit to the stadium yesterday. The stadium is being built for the 1998 World Cup, which Platini is co-ordinating Reuter

Privatisation issue comes to haunt the centre-right

David Owen on why the French government has failed to instil a spirit of 'popular capitalism' over sell-offs

A war of words last week between rival bidders for Thomson-CSF, the French defence electronics giant, provided a ringing reminder of the problems that have dogged the centre-right government's privatisation programme in the run-up to the parliamentary elections, the first round of which is to be held on Sunday.

The outbreak of hostilities between Alcatel Alsthom/Dassault and Lagardère was as blunt and colourful as anything to have graced the curiously subdued election campaign.

Yet if the government's first attempt to sell the Thomson group had not been botched, the bid battle's outcome would have been settled months ago.

The Thomson privatisation is not the only high-profile disposal to have run into trouble in recent months. Last November, the government called off the sale of CIC, the country's fifth largest commercial bank, and the calling of the election forced postponement of plans to float a minority stake in France Télécom in what may still be the country's largest privatisation.

But it would be wrong to conclude from this unhappy sequence that the government's record on rolling back state involvement in the country's economy over the past four years has been unmitigatedly poor.

In fact, it has sold at least a majority stake of more than half the 31 companies on the privatisation list drawn up in 1993 under Mr Edouard Balladur, then prime minister. These include tough cases such as Bull, the computer group that ran up losses of FFr22bn ($3.83bn) between 1989 and 1994, and industrial companies such as Renault, the vehicle manufacturer, and Usinor-Sacilor, the steel group, both once considered too "sensitive" to be in the private sector.

Companies on the 1993 privatisation list

Company	Sector	Privatised
AGF	Insurance	✔
GAN	Insurance	✘
UAP	Insurance	✔
Bull	Computers	✔
Thomson	Electronics	✘
Banque Hervet	Bank	✘
Crédit Lyonnais	Bank	✘
BNP	Bank	✔
Pechiney	Packaging	✔
Rhône-Poulenc	Drugs, chemicals	✔
Elf Aquitaine	Oil	✔
Société Marseillaise de Crédit	Bank	✘
Aerospatiale	Aerospace	✘
Air France	Air transport	✘
Caisse Centrale de Réassurance	Financial services	✘
Caisse Nationale de Prévoyance-Assurances	Financial services	✘
Compagnie Générale Maritime	Shipping	✔
Renault	Cars	✔
Seita	Tobacco	✔
Snecma	Aerospace	✘
Usinor-Sacilor	Steel	✔

Source: FT ✔ Yes ✘ No

In doing this, it has raised a total of almost FFr160bn, against FFr120bn in the previous centre-right government's privatisation drive from 1986 to 1988.

It has also overseen preparations to free up a number of important markets, usually in step with its European Union partners. These include aviation, liberalisation of which was completed on April 1, telecoms, which will be liberalised from next January, and electricity, to be opened to competition from the start of 1999, but initially only to big industrial users.

The telecoms reforms in particular have to date received high marks from observers both for their transparency and for their fairness to the entrenched state monopoly's future private-sector competitors.

What the government has failed to do is instil the sort of spirit of "popular capitalism" that shows signs of taking root in some other EU countries.

The number of individual owners of shares has actually edged down to around 5.5m over recent years after soaring from 1.7m to 6m between 1986 and 1988 in the first wave of privatisations.

This is partly because the market performance of many privatisation stocks has, until recently, been disappointing. The recent buoyancy of the Paris bourse has now, however, carried the vast majority of such stocks to above the level at which they were initially offered.

It had been hoped that the France Télécom sell-off – first scheduled for completion by early June – would help to perk up public interest. It may still do so, but not now until after the election – and only if the centre-right wins. The lingering ambivalence of public attitudes towards privatisation has encouraged the Socialist party to pledge that it will halt both the Thomson-CSF and the France Télécom disposals if the left gains power.

A Socialist victory would bring the state's flagging disposal programme juddering to a halt

The momentum of the privatisation programme has stalled badly as the easier disposals have been completed and the government has been forced to focus on cases that are more delicate either for political reasons or because the financial condition of the companies concerned is fragile.

The aborted original plan for Thomson – involving the sale of the money-draining consumer electronics arm to Daewoo of Korea – sparked a xenophobic reaction that alarmed foreign investors. And the government has several times crossed swords with EU competition authorities over the capital injections it has made to struggling companies in an effort to prepare them for privatisation. The most notable of these is Crédit Lyonnais, the banking group it now hopes to sell in the second half of next year.

In short, a "new *élan*", to borrow President Jacques Chirac's phrase, will be needed if the right wins a mandate to resume its privatisation programme after the elections on May 25 and June 1.

Mr Jean Arthuis, finance minister, last week made an early contribution to this with a string of reforms to improve management of public sector companies.

The centrepiece of the reforms was the creation of a new state shareholder council reporting to the finance ministry and charged with evaluating ways the state should intervene in the running of public sector companies.

Of course, the fact the state is taking such pains to brush up its management methods implies that the mainstream right is still far from advocating the privatisation of certain entities, notably public service providers such as Electricité de France, the post office and the French railways.

But for the remaining publicly held companies the assumption is firmly that a centre-right victory would lead to a renewed privatisation drive, with Banque Hervet and possibly Air France behind France Télécom and Thomson-CSF in the vanguard.

Some even believe the lure of easy money from privatisation proceeds would, in time, prompt the left to sanction the sale at least of a minority stake in France Télécom. In the meantime, however, a Socialist victory, would bring the state's flagging disposal programme juddering to a halt.

Italy's inflation declines to new low

By Robert Graham in Rome

Italy's headline inflation has fallen to a new low of 1.5 per cent this month, increasing pressure on the central bank to cut interest rates.

Inflation is now running at its lowest in almost three decades against a background of continued stagnation in the economy. According to preliminary forecasts from Istat, the state statistics body, consumer prices in Italy's main cities are likely to rise only 0.2 per cent in May. If confirmed this will bring the year-on-year level down from last month's 1.7 per cent to 1.5 per cent.

The fall has come despite a rise in postal tariffs this month, considered largely responsible for the small monthly inflation rise. Economists also noted food prices held steady despite poor weather affecting crops.

The Bank of Italy has been using a tight monetary policy longer than any other European central bank in the current economic cycle. By holding out so long, Mr Antonio Fazio, the governor, has signalled his concern about latent inflationary pressures and the potential instability of the lira in the run-up to the decision on which currencies will join the first wave of European Monetary Union.

It has also been suggested the bank is awaiting two developments. The first is the outcome of the French elections, since a Socialist victory could cause renewed instability on the currency markets. The second is release of the government's three-year macro-economic programme, which will outline the budget deficit targets and spending cuts – crucial for convincing the EU of Italy's commitment to carry out a sustainable improvement in its public accounts.

The macro-economic programme was expected to be released this week. But yesterday government officials said a special meeting of the parties in the centre-left coalition would be needed to discuss the broad details and it would not be unveiled until next week.

The Bank of Italy is understood to be sceptical about the ability of the government to make the necessary adjustments to pensions spending and is also concerned about the impact on prices from proposals to raise substantial amounts in the 1998 budget via increasing value-added tax.

These issues were among the topics believed to have been raised in an unusual lunchtime meeting last week at the Bank of Italy between Mr Romano Prodi, the prime minister, and the four-man directorate of the central bank. Afterwards Mr Prodi said he had hoped interest rates would have fallen further and faster.

Albania's PM appeals to west

By Kevin Done, East Europe Correspondent

Albania's caretaker prime minister, Mr Bashkim Fino, yesterday issued an urgent appeal to western governments for help to defuse the mounting political crisis, which is threatening a return to the violent anarchy suffered earlier this year.

In response western leaders have intensified pressure on President Sali Berisha to act to avoid the threatened opposition boycott of the general election planned for June 29.

Mr Fino's appeal followed his failure in all-party talks to gain agreement on amendments to a controversial election law pushed through parliament last week by President Berisha's Democratic Party.

Opposition parties claim that the law makes it impossible to hold free and fair elections.

Mr Fino, a Socialist, who has come close to resigning over the crisis, warned yesterday that the talks had "failed not only to bring compromise or come near to compromise, but on the contrary took Albania to the edge of a deeper crisis with unforeseen consequences".

Western governments warned failure to reach accord on the electoral process could lead to withdrawal of the 6,000-strong force of foreign troops deployed last month to protect distribution of humanitarian aid.

Italy, the leader of the multinational force, called on all political groups to make concessions. Mr Beniamino Andreatta, the Italian defence minister, said "the next 24 hours are very important for the future of Albania".

Mr Romano Prodi, the Italian prime minister, who is on a visit to Budapest, said that Italy would work to the "last hours" to convince the political parties in Albania to hold elections.

If that failed, he warned that the security mission would have to be revised.

Mr Lamberto Dini, Italian foreign minister, warned yesterday Albania could slide back into the chaos of February and March.

"The primary objective at the moment is to halt a dangerous trend that could set Albania back weeks and compromise the whole delicate process of reconciliation that has been carried out so far," he said.

Venice separatists face stiff sentence

By Robert Graham

The eight-man "commando" unit that occupied the bell tower in St Mark's Square in Venice this month in the name of an independent Venetian republic will go on trial today facing lengthy imprisonment on charges of seeking to undermine the unity of the Italian state.

It is the first trial of persons linked with separatist activities since the South Tyrol independence movement peaked in the 1970s. The authorities are using special quick prosecution procedures to send a strong signal to the commandos' sympathisers.

But the centre-left government is aware it has to avoid turning the eight men into martyrs. Their seizure of the bell tower on May 9 in a well planned military operation, using a home-made armoured vehicle, has already won them support among sectors of the populist Northern League. Mr Umberto Bossi, League leader, has also exploited the incident to remind politicians in Rome he and his followers are set on a secessionist path.

Mr Massimo Cacciari, the centre-left mayor of Venice, who has an acute political nose, warned: "It would be a mistake to underestimate the situation." Referring to Mr Bossi, he said: "He has a fixed idea about setting up a state and we must take him extremely seriously."

It is not clear whether the eight men, mostly from the Verona-Padua region, will claim to be political prisoners to try to make capital out of their trial. From documents seized by the police in the past two weeks, it appears their main aim was propagandistic. If this is so, they have more than achieved their aim: the spotlight has been focused on the discontent felt towards the central government by the Veneto, which has turned into the richest part of the country in the past decade.

A total of 39 people are under investigation for being linked to an organisation committed to the so-called liberation of the Serenissima (the style of the former Venetian republic). According to material found on floppy discs, they were working to create a new sovereign nation covering the whole of the Veneto region from its borders with Lombardy up to the frontier with Austria and former Yugoslavia. The new state would be headed by a "doge".

At least two of those under investigation are members of the Northern League. Mr Bossi has tried to distance himself from them by insisting the whole affair has been mounted by the intelligence services to discredit the League. The authorities may have sought to dramatise the affair to this end and in the ensuing media excitement it remains hard to gain a sense of proportion. But this certainly puts pressure on the politicians to introduce a federal structure of state in the current discussions on constitutional reform.

Censure motion against Erbakan halted

By Kelly Couturier in Ankara

Turkey's faltering Islamist-led government yesterday narrowly survived an opposition attempt to bring down the coalition through a censure motion.

After a tense debate that had to be temporarily adjourned after a shoving match broke out among MPs, parliament rejected the censure motion by a vote of 271-265 in the first stage of a multi-step process that could have led to a vote of confidence.

Earlier in the day, the coalition government of the prime minister, Mr Necmettin Erbakan, which has only a four-seat majority in the 550-seat parliament, received a boost when the leader of the seven-member, extreme-right Grand Unity party pledged his party's support in the vote.

The motion, which was presented last week by the leaders of four opposition parties, claimed the government was leading the country into a "fraternal feud" pitting Islamists against secularists.

Despite the outcome of the vote, few analysts expect the 10-month-old government to survive the internal division and outside pressure from the military and secular opposition.

The crisis has been growing since February, when the military-dominated National Security Council presented a series of directives to the government designed to curb Islamic radicalism.

The directives include calls on the government to purge Islamic activists from public offices, to enforce more tightly restrictions on religious dress, and to enact education reforms designed to discourage the growth of religious middle and secondary schools.

Mr Erbakan's stalling on the measures, many of which would alienate grassroots supporters of his Welfare party, has increased tension between the Islamist wing of the government and the military, which sees itself as the guardian of modern Turkey's secular tradition.

In recent weeks, senior generals have identified as their main concern the "anti-secular" threat posed by what they see as a growing Islamic radical movement that has flourished under the Welfare-led government.

Although the military, which has assumed power three times since 1960, rules out another intervention by force, the stand-off between the generals and the Islamist wing of the government has weakened the coalition to the point where it has ceased to function, many analysts say.

The government's secular wing, the True Path party led by Mrs Tansu Çiller, is reported to be under heavy pressure from the military and secular opposition to break the coalition with the Islamists.

Three True Path cabinet ministers have resigned in the last month, citing their opposition to Welfare party policies.

A newspaper report that Mr Erbakan's government was not given notice of the military's cross-border operation against Kurdish separatists in northern Iraq last week appeared to support claims that the weakened government is being increasingly sidestepped by the military and secular bureaucracy.

Czechs ponder price of stable currency

Czech policymakers are wondering whether a stable currency is worth fighting for. After a furious speculative assault that left the koruna battered on foreign exchange markets, the cost of defending it rose to a level that threatens to drive the economy into a recession.

The koruna has enjoyed a six-year reign as the most stable of eastern Europe's currencies, backed by an impressive-looking economic reform programme and steady inflows of foreign capital.

A stable currency was one of the cornerstones of the reform programme pursued by the prime minister, Mr Václav Klaus. But with the Czech economy now stuck in a rut and foreign investors firmly on the sidelines, defending the koruna is no longer self-financing.

The Czech National Bank (CNB), the central bank, intervened heavily late last week in a fruitless attempt to ward off heavy short-selling by investors who believe the currency is now considerably overvalued.

Intervention failed to work, and the CNB was forced to raise its last-resort lending rate from 14 per cent to 50 per cent.

Earlier this week it also raised its overnight rate to 60 per cent. Komercni Banka, the country's largest commercial bank, then doubled its effective minimum lending rate to 24.9 per cent.

This means that the cost of new borrowing for many Czech companies is now twice what it was a week ago. In a credit-driven economy this is not sustainable for long, analysts say. Although calm has returned to the foreign exchange market after the rate rises, the CNB has only won the battle, not the war, against the speculators, Zivnostenska Banka said in a report yesterday.

The choice facing policymakers now is between keeping interest rates at this level indefinitely, which would almost certainly drive the economy into recession, or allowing the koruna to fall either through a devaluation or by floating it on the foreign exchange markets.

This would allow interest rates to fall to more sustainable levels and may be the spark the economy needs to start growing again, with exporters the main beneficiaries.

"Policymakers need to decide between the devaluation and a period of very weak growth," said Mr David Lubin, emerging markets analyst at HSBC Markets in London.

But echoing a sentiment shared by both analysts and the CNB, he said a devaluation would "cast the Czech economy into unknown territory".

Both the government and the CNB are wedded to the stable koruna policy, which was beneficial as long as the economy was growing. But growth is expected to be zero for the first quarter of 1997, and the high value of the currency is one of the main factors behind the economy's most serious problem – slow export growth. It adds to the uncompetitiveness of Czech companies.

For the time being the rate rises appear to be working. The koruna can fluctuate 7.5 per cent below its daily fixed rate against a basket of the D-Mark and US dollar, and was trading yesterday at between 2 and 1.5 per cent below the fixing level.

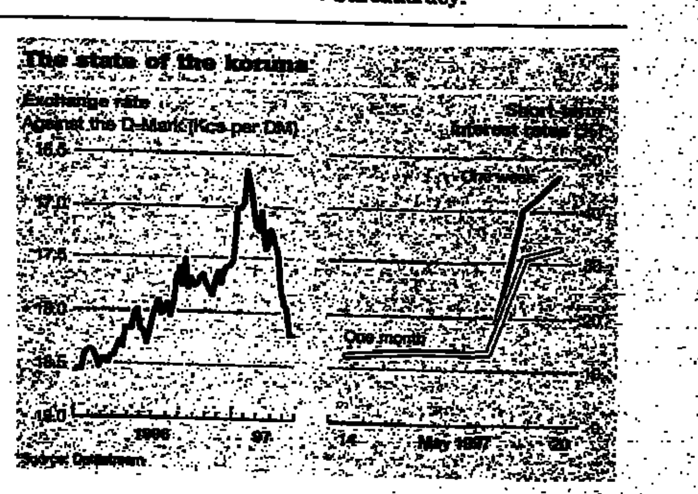
But Mr Vladimir Kreidl, economist at Patria Finance, said it was only a matter of time before pressure built up for rates to fall. "I can't imagine this economy living for a long time with interest rates at this level. They would wipe out economic growth and we would enter a recession," he said.

Mr Klaus and his divided, unpopular government certainly need no reminding of that.

Last weekend the prime minister signalled that he was prepared to wave goodbye to the era of the stable koruna.

Speaking on Czech television, he noted that the currency has enjoyed a long run and that it could not last for ever.

Things are complicated, however, by an imminent government reshuffle. Mr Klaus said yesterday his Civic Democratic party, which dominates the ruling centre-right coalition and has half the 16 cabinet seats, would discuss cabinet changes with its coalition partners over the next few days.



Senior party figures said a new cabinet should be in place by the end of June.

It is not clear whether a move on the currency would be the last act of the outgoing cabinet or the first act of an incoming set of ministers.

Vincent Boland

Netanyahu rejects US 'empty settlements' claim

By Judy Dempsey in Jerusalem

Mr Benjamin Netanyahu, the Israeli prime minister, yesterday rejected US claims that at least a quarter of homes in Jewish settlements in the West Bank and Gaza were empty.

"This is a groundless assertion," he said while visiting settlements in the Jordan Valley. "I can assure you this is not the situation. I can't give you precise figures but the so-called report is false by an order of magnitude, to put it mildly."

The US research report, compiled over several months through satellite photos and other means and obtained by the daily Ha'aretz newspaper, said there was no need for Israel to expand settlements since 26 per cent of the homes in the West Bank were vacant. The vacancy rate was as high as 56 per cent in Gaza.

US officials yesterday confirmed that Mr Dennis Ross, the US Middle East envoy, had presented the report to Mr Yitzhak Mordechai, the Israeli defence minister last week. But they said Mr Mordechai had insisted there was a need to expand the settlements because of the rapid population increase among the settlers, leaving Washington increasingly exasperated with the hard-line policies pursued by the Netanyahu government. Mr Martin Indyk, the outgoing US ambassador to Israel, said the spirit of the Oslo accord was dead.

The report adds weight to findings two months ago by Israel's Central Bureau of Statistics, which said at least 12.1 per cent of homes in the West Bank remained empty. It also confirms the Palestinian view that the Israeli government was expanding settlements in a bid to strengthen its negotiating position before the final status talks. These will deal with the future of the Jewish settlements, Jerusalem, Israel's borders and the 4m Palestinian refugees.

The Palestinians have called for a halt to the expansion and building of new settlements as a precondition for restarting the peace talks, which were suspended last March after Israel started work on a new settlement at Har Homa in south-east Jerusalem. They say this will cut off the West Bank from East Jerusalem and at the same time allow the Israeli government to establish "facts on the ground" before the start of the final status talks.

● Israel's ambassador to Jordan, Mr Oded Eran, said yesterday he was withdrawing his resignation a week after announcing he was quitting in protest at being kept in the dark over a secret meeting between the leaders of the two countries, Reuter adds from Jerusalem.

Netanyahu greets children during a visit to the Jordan Valley settlement of Fatzael yesterday Reuter

S Africa dispenses a miracle cure

Its armed forces are teaching the art of peace not war, Roger Matthews reports

Deep in a heavily protected bunker in Pretoria, the South African army has been reviewing its latest foray across its northern borders. "It was one hell of an achievement," says Colonel Kobus Loubser, the officer responsible for planning the operation. "I really felt that in the kingdom of the blind we were the one-eyed kings."

A few years ago, his elation would been have caused by the damage just inflicted on the African National Congress or its allies. But today the ANC leader, Mr Nelson Mandela, is Col Loubser's boss, and the topic is peace, not war. Having narrowly avoided disaster at home, South Africa is preparing to offer its own miraculous cure to the rest of Africa.

During the battle to maintain apartheid, the South African armed forces had largely ignored borders. They went where they wished, and caused mayhem as they saw fit. So it was an historic moment last December when the army command received its first official invitation to send troops to a combined exercise in neighbouring Zimbabwe to learn peacekeeping.

"The troops were really excited when we crossed the border, though a lot of them had been convinced we were heading for Zaire," says Lt-Colonel A.P. Theron, commander of the unit drawn from the 2nd Infantry Battalion, which also provides South Africa's rapid deployment force. "It was a really interesting experience for me too, because I had been to Africa before, in rather different circumstances."

He was also commanding a rather different group of men. Since Lt-Col Theron's more aggressive days, the motorised 2nd Infantry Battalion has undergone its own transformation. Serving alongside the old regulars are former enemies from Umkhonto we Sizwe, the guerrilla wing of the ANC, and men from the Azanian People's Liberation Army, which was aligned to the Pan Africanist Congress and fought under the slogan "One settler, one bullet".

"We are now a formidable force," says Lt-Col Theron. "Just think how much different experience and knowledge we bring to bear." But all had a blind spot when it came to peace-keeping, the role many western powers want to see Africa doing for itself. "The rest of the world does not want to get involved in Africa, but everyone is keen to train us," says Col Loubser.

> 'Once, you went to war; now you must learn to negotiate'

The trainers on this occasion were primarily British with a wealth of experience in peace-keeping operations, and in assisting the amalgamation of regular armies with former guerrillas.

But it was a new world last month for the 290 South Africans and the 1,250 troops from seven other African nations. They had to learn to get on not only with one another, but with alien concepts. "It is a whole different attitude," says Lt-Col Theron. "In the past if people didn't agree with you, then you went to war. Now you have to learn about negotiation. It was a big adjustment, but we learned a lot that can't be achieved in the classroom."

The South Africans also learned that the Lesotho platoon attached to them had to be provided with weapons, that officers from Mozambique needed translators, and that the Zimababwean kitchen dished out too much porridge and too little meat, along with warm beer.

Vehicles were not always compatible, communication equipment did not always interface, and the functions of operational headquarters needed to be urgently reviewed. "There were plenty of bumps," says Lt-Col Theron. "But we broke the ice and got on really well. Maybe it was as well we took our own kitchen. By the end, everyone was coming to us for beer."

He and Col Loubser accept that a substantial amount of work needs to be done before the eight-nation force is ready to be tested in the field. "When the button is pushed everyone must know exactly what is required of them," Col Loubser says.

"Governments must decide what our basic peace-keeping doctrine is to be. With the organisation of a large force such as this, we must be able to move from one country to another as easily as possible. And we have to agree on operational procedures so that each country plays to its strengths."

The 17-day exercise was, as Lt-Col Theron says, "a really historic event" for southern Africa; he hopes enough money will be available from reduced military budgets for another exercise next year. But how would he feel about heading to Zaire, for instance? "I would happily take one or two battalions of South Africans where our doctrine and equipment is compatible. But it is going to be some time before a joint operation could be mounted effectively."

Victory claim by Taleban

The fundamentalist Islamic Taleban militia claims to have captured the strategic Shibar Pass and advanced to within three miles of the Shia Moslem stronghold of Bamiyan in central Afghanistan, Reuter reports from Kabul.

Mullah Said Mohammad Haqqani, a Taleban spokesman, told the Pakistan-based Afghan Islamic Press service yesterday that Taleban fighters "could enter Bamiyan any time this evening".

There was no independent confirmation of the reported gain by the Taleban, which has been trying for months to dislodge the Shia opposition Hezb-i-Wahdat faction from the Shibar Pass.

Hezb-i-Wahdat is one of three main factions in a loose anti-Taleban alliance. The alliance took a body blow on Monday when General Abdul Malik, a key commander, launched a pro-Taleban uprising. Talks are under way to try to keep Gen Malik within the opposition alliance.

'Zaire' comes to grips with new reality

By Michela Wrong in Kinshasa

The radio presenter's gaffe said it all. "This is the Voice of Zaire... I mean, the Voice of Congo, wishing you a good morning."

Three days after the Alliance of Democratic Forces for the Liberation of Congo (AFDL) seized control, Kinshasa is still struggling to come to terms with a new reality.

The symbolic changes are easiest to make. Shops and offices have taken down signboards using the word Zaire: the name adopted by President Mobutu Sese Seko is no longer considered acceptable.

Once-omnipresent portraits of the leader who is now killing time in the west African state of Togo have disappeared.

The flag of post-independence Congo, gold stars on a blue background, flies in front of embassies. Local newspapers, concerned the younger generation may not know the words, publish the text of "Debout, Congolais" (On your feet, Congolese), the national anthem of the pre-Mobutu years.

But shifting the fear and suspicion that characterised the Mobutu era is proving far harder.

Not least because, although the top echelons of the Division Spéciale Présidentielle (DSP), the dreaded presidential guard, have fled, the lower echelons simply removed their uniforms and blended into the crowd.

Before doing so, many carried out carefully targeted raids on the homes of prominent politicians and business figures, confirming diplomats' suspicions that the outgoing regime had drawn up elimination plans for those it saw as traitors. Those who survived these visits still live in fear, aware their attackers remain near by.

"The lower ranks are the most dangerous, as they are hidden among the people and can behave like snipers," says Mr Lambert Mende, a former transport minister whose house was visited three times by an assassination squad on the day the rebels marched in.

At the home of a former aide to the former prime minister, Mr Kengo Wa Dondo, who narrowly escaped being shot by a DSP squad, the head of the household has not yet ventured outdoors to go to his office job. "If you mention us, please don't use our names," he begs. "We know these people are in the district. We could still be targets."

Such fears translate into denunciations. But the AFDL soldiers, receiving a steady stream of Kinshasa residents informing on Mobutu collaborators, struggle to distinguish genuine fear of reprisals from the bitter score-settling by a population reacting against three decades of despotism.

A priority for these forces is incorporating the country's vast army into its ranks, the better to counteract any impression of being little more than a Ugandan or Rwandan occupation force.

Thousands of defeated soldiers and paramilitaries, occasionally jeered by onlookers, queued at barracks yesterday to have their military papers recorded in the hope of eventual rehiring.

If the task facing the AFDL's military wing is formidable, the movement's civilian apparatus is just beginning to register the complexity of the job it has taken on.

The deluge of job-seekers, carpetbaggers and influence pedlars has been so overwhelming that cynics predict the faction within the AFDL that is arguing in favour of moving the capital south to Lubumbashi will win out.

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CONTRACTS & TENDERS

NEWS: THE AMERICAS

Caracas faces public sector crisis

By Raymond Colitt in Caracas

Corruption and inefficiency in Venezuela's colossal public sector has reached such a level that it appears to be on the verge of collapse, according to a watchdog.

Basic public services, from health to justice and education are in a poor state, a biting report released by Mr Eduardo Rocher Lander, the controller general, says. "We have a budget, offices, officials, and tasks but we do not have a state with organised and efficient institutions, rules, and goals that are met. The state is dissolving into chaos and inefficiency, " it says.

The controller general, an autonomous watchdog of the public sector, says the Venezuelan state is not capable of approving a plan for the nation, much less implementing it. Nor can it isssue identity papers or provide for collective security. "

Most Venezuelans are aware that the controller general's snapshot of the Venezuelan state is painfully accurate. Perhaps more than elsewhere in Latin America, the public sector in Venezuela – fuelled by decades of seemingly endless oil revenues – grew faster, larger and more convoluted than elswhere.

As long as enough funds were pumped into the system some service or benefit trickled through the inefficient state apparatus. Yet with the onset of the debt crisis, followed by a financial and economic crisis, state coffers dried up and the inflated state began to crumble like a deck of cards.

Decaying government office buildings, packed with underpaid, idle employees in downtown Caracas are only the most visible sign. What remains is little more than an empty structure of concrete and tedious regulations. "One can say without exageration, that none of the public services works efficiently," says Mr Arturo Uslar Pietri, Venezuela's most prominent intellectual, adding that the decay of the state has been causing wide-spread popular discontent and is a serious threat to democracy.

Corruption and inefficiency make justice as well as construction permits unattainable for some and very costly for others. Many businesses employ an army of messengers, clerks and lawyers to cut their way through the red tape and pay bribes to government officials.

Countless high-profile cases of corruption have surged in nearly all branches of the state. Yet few have made it to court.

Unashamed patriot trying to sell foreign policy to the people

Madeleine's mission impossible

By Patti Waldmeir in Wilmington, Delaware

The US secretary of state has become the travelling saleswoman of US foreign policy.

Carrying her own personal soapbox from one small American place to another, the diminutive Mrs Albright – "just-call-me-Madeleine" – has set out to prove to an oblivious, if not hostile, populace that foreign policy matters. That has always been a tough sell, but since the end of the grand morality play known locally as the cold war, it has become far tougher.

On Monday, Mrs Albright took her pitch to the people of Wilmington in Delaware, credit card capital, international trade port and home of the Du Pont dynasty. All day long she shook hands, signed autographs, and invited the dockworkers and dowagers of Wilmington to cozy right up to American foreign policy.

"I sure do like to be called Madeleine," she said, to break the ice at a "foreign policy briefing" for the women of Wilmington. Then she ranged over the issues of the day, from China trade policy to female circumcision, detouring via anecdote to enliven a dry tale.

When it came to the issue of Chinese repression, Mrs Albright had first-hand experience: she recalled that, when in Beijing for the 1995 woman's conference, she had been prevented from ironing her dress because of a Chinese ban on women visitors ironing in their hotel rooms. The moral was clear: Washington must champion women's rights worldwide; no one else will.

But Mrs Albright was careful not to limit her argument to the purely moral. In Poughkeepsie and Peoria, morality has weight in foreign policy, but self-interest is arguably even stronger. America is fighting for women's rights worldwide, "first because it's moral, and second because it's just plain *smart*," she said. Again and again, she used the same argument of realism rather than altruism to defend American policies. "Whether in Burma, Burundi, Baghdad or Beijing," she said, America needed to be "both right and smart".

Effortlessly, she elided morality and national interest on the most newsworthy issue of the day: President Bill Clinton's campaign to renew most favoured nation trading status for China. MFN was "good for America,", but also good for human rights in Hong Kong, she added, arguing that Hong Kong could preserve its way of life under Chinese rule more easily if Beijing were engaged on trade, rather than punished.

Teetering on high heels on the gangplank to a banana boat in the port of Wilmington, or standing on the platform she carries to elevate her at lecterns, Mrs Albright exudes the kind of unashamed patriotism which gives her message credibility in middle America. Many of those present, veterans of the Vietnam era of anti-war protest, welcomed the fact the secretary of state, herself an immigrant, could show such unabashed chauvinism.

"I wanted more than anything else to be an American and it's the greatest thing in the world to be," she said. Mrs Albright can say things which, they agreed, the protest generation might still shy away from.

"It's only too bad she wasn't born here," one elderly lady opined, referring to the constitutional ban on immigrants in the White House. "Otherwise she could be president."

Madeleine Albright: tough task to sell foreign policy Reuter

Top Chilean official in trouble on drugs case

By Imogen Mark in Santiago

The head of the Chilean Supreme Court, Mr Servando Jordan, has been sharply reprimanded and forced to take an unscheduled holiday following his public defence of a colleague allegedly involved in Chile's biggest narcotics money-laundering case.

Mr Marcial Garcia Pica, who worked at the national appeals court, is under investigation over a series of taped telephone conversations with Mr Mario Silva, the alleged head of the country's biggest drug-dealing ring. Mr Silva was arrested in early April, along with 11 of his associates.

A high-powered Chilean anti-narcotics team worked for more than three years to put together the evidence against Mr Silva, who is alleged to have brokered cocaine shipments between South America and Europe, and laundered the money through the Chilean banking system.

This is the first important case of its kind in Chile, which is generally believed to have remained relatively isolated until now from the widespread corruption and violence related to drug-dealing in other parts of the region.

No figures are available on the size of Mr Silva's alleged operations, but his personal fortune has been valued at $100m.

In one of the tapes, partially reproduced by a local paper on Sunday, Mr Silva is said to instruct Mr Garcia Pica, whom he calls "godfather" and with whom he is evidently on friendly terms, to intercede with another judge for one of his men.

Mr Garcia Pica retired this year at the age of 84 from the country's national appeals court.

Mr Jordan said last week that he found it hard to believe the charges against Mr Garcia Pica, who he said, was "a very good man, who did favours for poor people, and didn't discriminate in that respect".

Mr Jordan's actions, which included interviewing two minor court officials involved in the case, in a clear breach of procedure, provoked harsh criticism from congressmen.

The Silva case was a coup for the council for the defence of the state, a government watchdog, which directed the operation with a hand-picked group from the plain-clothes police force, known as "the untouchables", a reference to the team who investigated the American gangster Al Capone in the 1930s.

Last week the head of the team, Mr Nelson Mery, said several senior members of his force were being investigated as possible accomplices of the Silva ring.

Passive smoking fears

By Richard Tomkins in New York

Second hand cigarette smoke almost doubles the rate of having a heart attack, according to a study by the American Heart Association, a public health advocacy group strongly opposed to smoking. The study appears to show passive smoking is more dangerous than previously thought.

The 10-year study tracked more than 32,000 female, non-smoking nurses, and found those regularly exposed to cigarette smoke by their co-workers or families were 91 per cent more likely to have a heart attack, non-fatal or fatal, than those not subjected to smoke. The rate among those occasionally exposed was 58 per cent higher.The association estimates 30,000 to 60,000 people a year could be dying from heart attacks induced by passive smoking in the US.

Chill over Wall Street tax-free deals

Congress is proposing to ban Morris Trust schemes used in sales and mergers

By Richard Waters in New York

One of Wall Street's favourite methods for restructuring large American companies may not be dead entirely, but it is about to become far rarer and a good deal more expensive, to judge from the evidence of recent days.

At issue has been a popular scheme used by corporate America to shed marginal, unprofitable or otherwise unwanted businesses free of tax. Such disposals have become a common feature of the mergers and acquisitions landscape of the 1990s, as companies follow the current management orthodoxoy of focusing on "core" businesses and selling or spinning-off everything else.

A month ago, Congress cast a chill over such deals – and the merchant bankers and lawyers who make a living out of arranging them – by proposing to ban a structure that allows them to be free of tax. Known as a Morris Trust, the method has been in use since the mid-1960s but has risen to prominence only in the past two years.

"The legislation is going to stop a significant number of transactions that would otherwise have occurred," said Mr Joseph Frumkin, head of mergers and acquisitions at Sullivan & Cromwell, a New York law firm.

Evidence of that appeared to come last Friday from US West, one of the country's biggest telecommunications companies. US West said it planned to shuffle its telephone directory publishing business, worth, by its own reckoning, some $4.75bn, between its two separate business units by using a Morris Trust scheme. But this internal reorganisation will not happen if the new law, as currently drafted, goes through, it said. The tax bill on the deal, it says, would simply be too high.

A measure of the likely cost came this week with news of a plan by Harte-Hanks, a US media company, to sell various newspapers and broadcasting businesses to E W Scripps. Under a Morris Trust arrangement, the companies said, the purchase would cost around $625m: but if Congress goes ahead with the ban as planned, the price will rise to $775m to compensate Harte-Hanks for its tax bill.

According to Wall Street lawyers and bankers, many companies will simply not pay this price. That could mean they will either not bother to dispose of unwanted businesses, or they will choose to spin them off into stand-alone companies, rather than sell them to others. "To allow people to reorganise their businesses on a tax-free basis is positive from a public policy point of view," said Mr Phil Keevil, a managing director at Salomon Brothers.

A handful of prominent transactions are already in danger. Rumours that the Clinton administration was planning to crack down on Morris Trusts had prompted a spate of deals in recent months as companies rushed to get their deals approved.

The actual announcement of the tax plan in mid-April took most people by surprise, though, and has left a number of deals in limbo. Among these is a separate plan by US West to sell its wireless telephone business for $5bn and a much-discussed plan for H&R Block to sell Compuserve, its on-line service company, to America OnLine.

To a large extent, Wall Street has brought the new tax legislation down on itself. A spate of giant transactions in recent months, including General Motors' sale of its defence business for $9.5bn and Rockwell's transfer of its aerospace and defence operations to Boeing for $3.2bn, have prompted concern.

Also, many companies have openly flouted the tax code, according to some on Wall Street. In many transactions, the businesses to be sold have been loaded up with debt – allowing the seller to take billions of dollars of cash out of the business – before they are transferred.

Such apparent abuses are not new. Bass, the British brewing and leisure company, benefited from a structure like this when it bought Holiday Inns in 1989, according to one adviser. It is their sudden rise to prominence, though, that seems to have finally prompted a crackdown on the entire area.

WTO chief upbeat on China

By Justin Marozzi in Manila

Mr Renato Ruggiero, director-general of the World Trade Organisation, yesterday delivered an upbeat report on China's progress towards membership of the organisation on the eve of resumption of accession negotiations in Geneva today.

Speaking at the annual meeting of the Pacific Basin Economic Council in Manila, Mr Ruggiero urged China to make a "very ambitious" offer on market access to WTO members to sustain the momentum gained since the meeting in Geneva last March.

Market access has to date proved one of the thorniest negotiating issues. with China being pressed to open up its services industries including banking and insurance, as well as improving access for exporters to its agricultural sector. Beijing has been arguing it should be considered a developing country and given more lenient accession terms, while WTO members have called for faster liberalisation.

"I'm convinced that if China will really show flexibility and certain others show the necessary flexibility and we all negotiate without taking into account external matters ... there will be a successful conclusion," he said.

Mr Ruggiero, who met Premier Li Peng and top trade officials in China last month, said Beijing had made progress in three areas: improving the trading rights of foreign enterprises; a commitment to introduce legislation respecting intellectual property on accession to the WTO; and the elimination of inconsistent regulations relating to trade investment.

Progress was also being made in accession negotiations with Russia and Taiwan, he said.

Growing wave of international objections to overflight charges

UK protests at US airspace fees

By Bruce Clark in Washington

Britain has taken the lead in what is likely to be a growing wave of international complaints over the introduction of a new system of fees for airlines flying over US territory.

A British diplomat on Monday delivered a *"note verbale"* or formal message to the State Department setting out the UK view that the system's introduction was neither transparent nor procedurally correct.

Non-US airlines fear the overflight fees, which could amount to $90m this year, will clear the way for Washington to impose other unilateral charges for services such as air traffic control, security and cargo-handling.

British Airways as well as Australian, New Zealand, South Korean, German and Canadian carriers have begun action in the US courts to challenge the legality of the Federal Aviation Administration's action under both US and international law.

Most of the flights affected include those from Europe to Mexico and those passing through large segments of airspace in the Pacific controlled by the US.

"Our concern is not with the principle of fees, but the fact that consultations were so rudimentary and the fees are so high," said Mr Tony Fortnam, a BA vice-president.

UK officials stressed that the diplomatic message was delivered at a relatively junior "working level" in order to avoid spoiling the warm Anglo-American atmosphere that was underlined by this week's visit to Washington by Mr Robin Cook, the new foreign secretary.

Strong protests have already been lodged by the Canadian government, which fears that its carriers will have to pay more than the half the fees which the FAA hopes to collect.

But Britain was first off the mark to register its unhappinesss when the new system entered force on Monday, following the FAA's refusal of a request for a deferral.

The FAA is under heavy pressure from Congress to raise revenue to help pay for essential air services such as subsidised transport to remote parts of Alaska.

Non-US airlines contend that the US agency has failed to follow the consultation process laid down by the International Civil Aviation Organisation. But the FAA, in its letter rejecting the deferral, was adamant that it has "complied with both international and domestic law in crafting a (rule) that imposes a fair, non-discriminatory fee."

Mr Michael Korens, a transport consultant, said the looming row was casting a shadow over the politics of international aviation at a time when a growing number of open-skies agreements was freeing up the business.

In March the FAA signalled its intention to fall into line with international practice by charging foreign aircraft for flying through its airspace.

The FAA said that user fees would affect mainly commercial airlines, which would be charged $78.90 per 100 nautical miles for over-flying US territory, compared with other aircraft which would pay $4.38 – $15.78 per 100 nautical miles.

The FAA has spent an estimated $90m providing air traffic control services for which it has not been reimbursed.

Global music sales strike a better note

By Alice Rawsthorn

The global music industry returned to growth in the first quarter of this year as sales rose in several significant markets, including the US and Japan, according to a survey by Music & Copyright, the FT newsletter.

The survey estimates that wholesale sales of albums and singles in 12 countries, collectively representing 70 per cent of the world market, increased by 7.8 per cent to $3.5bn during the first three months of 1997 compared with the same period last year.

The first quarter recovery represents a marked improvement over 1996, when the global music market mustered negligible growth of less than 1 per cent amounting to $39.8bn at the retail level, according to the International Federation of the Phonographic Industry.

One of the industry's principal problems in 1996 was the sluggish state of the US market, still the world's biggest for music sales. Sales were depressed by a shortage of exciting new album releases and by the instability of the retail sector following the closure of hundreds of record stores.

The US market rallied in the first three months of this year, with sales rising by 12 per cent to $1.7bn. The retail sector remained fragile, but new albums from Erykah Badu, Live, U2, Makiaveli and Spice Girls sold well, as did albums released last year by acts such as Jewel, No Doubt and The Wallflowers.

Conditions also improved in Canada, where first quarter sales rose by 7 per cent to $99m, after a very poor year in 1996 when the market declined 6 per cent. Similarly in Japan, the second largest music market after the US, sales climbed 5 per cent to $994m, after rising barely above inflation last year.

The Wallflowers: one group of performers who helped the music industry perform better

Wholesale music sales

January to March, 1997	MCs (units m)		CDs (units m)		Wholesale value ($m)	
Australia	0.6	(–44)	6.3	(+0.5)	78.5	(+1)
Brazil*	*0.3	(–30)	*14.0	(+17)	158.5	(+15)
Canada	2.1	(–8)	10.8	(+9)	99.3	(+7)
France	2.9	(–30)	21.8	(–6)	277.0	(–2)
Japan	5.7	(–13)	95.1	(+10)	993.6	(+5)
US	**35.2	(–9)	**112.1	(+16)	*1,654.7	(+12)
TOTAL	48.8	(–11.1)	270.6	(+10.3)	3,484.0	(+7.8)

Figures in brackets are % change over same period, previous year
Source: Music & Copyright
**Retail sales not trade deliveries
*Music & Copyright estimates

The picture in Europe was less buoyant with market conditions remaining weak in France, where sales slipped by 2 per cent to $277m. The Belgian, Norwegian and Swedish markets also sustained declines in sales, as did the UK, where sales fell by 4 per cent in local currency terms to £215m. The UK was excluded from the Music & Copyright survey as its first quarter figures were only published yesterday.

Latin America, one of the fastest growing areas for the music industry in 1996, remained robust.

The Brazilian and Argentinian music markets sported first quarter growth of 15 per cent to $158.5m and 11 per cent to $24m respectively.

WORLD TRADE NEWS DIGEST

Poles secure aircraft order

Poland's PZL Mielec aircraft maker has been asked to supply 24 Skytruck small cargo aircraft worth $80m to the Venezuelan military by the end of 1998. The order follows a contract worth $40m for 12 aircraft from the Venezuelan national guard, of which six have been delivered. The aircraft, which can carry cargo or 18 passengers, are to be used to combat drug smuggling. PZL hopes to win more orders in Latin America. *Christopher Bobinski, Warsaw*

US group to build Saudi plant

Fluor Daniel, the US engineering group, has been awarded a $2bn construction contract to double the capacity of Saudi Yanbu Petrochemical's petrochemicals complex in Saudi Arabia. The complex is owned jointly by Mobil Yanbu Petrochemicals, a subsidiary of Mobil Corporation, and Saudi Basic Industries Corporation (Sabic).The contract involves building a second 800,000 tonnes a year ethylene cracker together with facilities to convert the ethylene into polyethylene and ethylene glycol. The new plant also will produce 260,000 tons of polypropylene and 125,000 tons of pyrolysis gasoline a year. *Andrew Taylor, Construction Correspondent*

Oman plans new airport

Plans to build an airport to serve the industrial city of Sohar in Oman were announced yesterday by the country's communications minister, Salem bin Abdullah al-Ghazali. He gave no details of when the project might start or be completed. Sohar is one of two designated industrial zones in Oman. The country is trying to diversify its oil-dominated economy by offering incentives to investors.

● A $93m contract to build a quay and terminal facilties at the proposed new Raysut container port near Salalah in Oman has been awarded to Wimpey Alawi, now part of Tarmac, the UK construction group, and Hani Archirodon, part of the Geneva-based Archirodon group. *Andrew Taylor*

Compaction venture in China

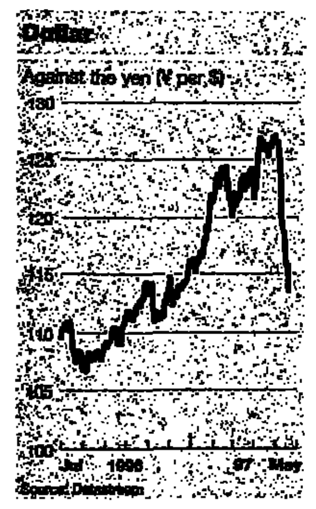
Ingersoll-Rand, the US construction equipment company, is starting a joint venture in China to make soil and asphalt compaction machinery for use in road building and other infrastructure development. The plant in Wuxi, Jiangsu Province, will make systems comparable to Ingersoll-Rand's Blaw-Knox and Titan equipment used in western Europe and north America. *Peter Marsh, London*

■ Plextek, the UK electronics design consultancy, yesterday announced the launch of a joint venture to build a city based on information technology industries in Malaysia. More than M$30bn ($12.15bn) of investment is planned for the 750 square kilometre high-technology zone. The new joint venture, called Unico Communications, intends to work on broadband access and smartcard projects. *Michael Peel, London*

Correction

In our report of May 20 on ACC's deal with Deutsche Telekom, ACC's annual revenues should have been recorded as $308m and not $300,000 as printed.

NEWS: ASIA-PACIFIC



Yen strengthened by interest rate speculation

By Gillian Tett in Tokyo

The Japanese yen strengthened sharply yesterday after a senior member of the ruling Liberal Democratic party, said there was growing political support for a rise in domestic interest rates.

Mr Koko Sato's statement coincided with signs that the Japanese trade union confederation was also throwing its weight behind a rate rise, fuelling political pressure for a monetary tightening.

However, Mr Taku Yamasaki, chairman of the LDP's policy research council, later played down his colleague's remark. He said now was not the time to discuss the possibility of a rate rise.

In Tokyo trading, the yen strengthened to Y112 to the US dollar – its highest point for almost six months. It later eased, and in late US trading yesterday stood at Y113.7 against the dollar. The swings left the yen almost Y3 stronger than the previous day's close – and sharply firmer than the Y127 levels earlier this month.

The yen's sudden volatility, which has partly reversed the equally sharp decline in its value – the Japanese currency has fallen some 50 per cent against the US dollar over the past two years – yesterday left top Japanese officials calling for calm on the currency markets. Mr Eisuke Sakakibara, a senior finance ministry official who is known as Mr Yen, said: "The pace of the yen's strengthening is too rapid."

Japan's trade union confederation says it would soon make a formal request to the Bank of Japan for a rate rise because the low interest rates were hurting pensioners and savers.

A panel of LDP politicians is due to issue a report within a few days which will also indicate the low interest rate climate may be distorting the financial system.

Mr Sato said yesterday: "The current low interest rate situation is negatively affecting pensioners...and could also invite further fund outflow from the domestic financial market to high-yielding overseas assets."

Traders, meanwhile, said the volatility was unlikely to ease while the markets remained so uncertain about Japanese interest rate movement – and about the Japanese government's longer-term policy towards its currency.

Until recently, most traders assumed Japanese rates were unlikely to rise from their current historic low level of 0.5 per cent until late this year or early next. And since economists suspected that the US Fed would soon tighten US rates, this helped to push the yen sharply lower.

In recent days Japanese market expectations have risen that a rate rise might occur as early as the summer, partly because the government has recently hinted that the economy had survived the tax increases in April relatively well. Some economists suspect this change in attitude reflects a deliberate attempt by the government to push the yen higher – and ease trade tensions with the US.

China set for Asean summit

By James Kynge in Kuala Lumpur

The Association of South-east Asian Nations (Asean), the region's foremost political and economic grouping, is for the first time planning to invite China, Japan and South Korea to an informal summit meeting at the end of the year.

Dr Mahathir Mohamad, Malaysia's prime minister and chairman of the summit this year, will extend invitations shortly, a Malaysian foreign ministry official said yesterday.

China is already preparing to attend; Japan and South Korea are expected to follow suit. If the three do attend, it would mark a clear shift by Asean to engaging Asia's most influential nations more closely than the US or the European Union.

The US and EU, like China, Japan and South Korea, are dialogue partners at the annual Asean Regional Forum, but neither has been invited to attend the "Commemorative Summit" to celebrate Asean's 30th anniversary in Malaysia in December.

The Asean Regional Forum (ARF), at which discussions focus on strategic and political issues, is a series of meetings between foreign ministers. Summits are planned as annual events bringing together heads of government. As such, they have the potential to eclipse the ARF in importance.

December's summit would represent partial realisation of Dr Mahathir's long-standing aim to create an Asian grouping, the East Asian Economic Caucus (EAEC), not predicated on the US.

The planned summit does not constitute a separate group, but its members mirror those Dr Mahathir had proposed for the EAEC.

The US and Japan have long opposed creation of an EAEC, seeing it as not necessarily conducive to the "open regionalism" espoused by the larger Asia-Pacific Economic Co-operation (Apec) forum, of which the US, Asean, China and Japan are all members.

While on a trip through the region in January, Mr Ryutaro Hashimoto, Japan's prime minister, proposed regular summits between Tokyo and Asean's seven members: Singapore, Indonesia, the Philippines, Thailand, Malaysia, Brunei and Vietnam.

Officials in some Asean countries said they welcomed Mr Hashimoto's initiative but such a format could only develop if China was accorded similar treatment. Burma, Cambodia and Laos, expected to become members of Asean at the group's foreign ministers' meetings in July or possibly later this year, are also likely to attend the December summit, officials said.

Insurers tempted by China promise

If China's population of 1.2bn makes a mouth-watering market for anyone, it is for life insurers.

The potential is obvious; the growth has been spectacular, with life insurance premiums reaching Yn33bn ($3.97bn) last year, 70 per cent up on 1995 and expected to rise to Yn144bn by 2000. The insurance market as a whole is forecast to grow from Yn38bn in 1992 to Yn250bn by the end of the century.

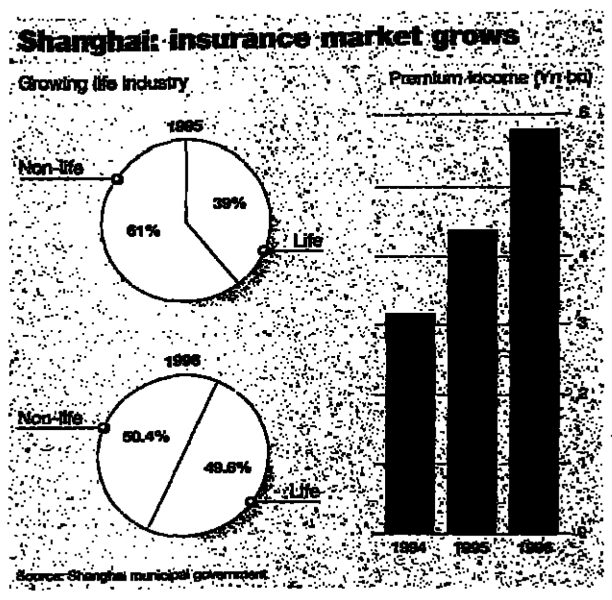
Little wonder that more than 80 international companies are queueing for a slice of the business.

But liberalisation is proving excruciatingly slow and the licensing approval process is intensely political. For the handful of foreign companies being offered a nibble at the market, scores of others are increasingly frustrated at the long and opaque courtship of the Chinese leadership needed to gain even limited access.

Last week, Axa-UAP, the French insurer, was granted a licence, joining the small band of companies allowed to start operations restricted to Shanghai.

American International Group (AIG) was the first to enter the market in 1992 and, unlike the others, has also been given the right to conduct business in Guangzhou. Tokio Fire & Marine from Japan, Winterthur from Switzerland and Manulife from Canada have since won approval to operate in Shanghai.

AIG's success is evidence of the tenacity needed to break into China. The company set up a Beijing representative office in 1980, 12 years before it was allowed to operate in the Shanghai market.



Axa's admission has been quick by comparison. Rival insurers point out approval was secured by President Jacques Chirac's visit to China and the renewed friendship between the two countries since France has quietened its stand on human rights in China.

"The Chinese tell you again and again there is no link between politics and business, but then look at Axa," complains another European insurer. "We have been in China much longer than them, done a lot of hard work in training and technology transfer, and then there's a cosy political deal for the French. It is really infuriating."

Nearly a year ago Allianz, the German insurer, was poised to be given a life insurance licence and had lined up a local joint venture partner – Shanghai Dazhong – when the German parliament passed a resolution accusing the Chinese of seeking to obliterate Tibet's cultural identity. The approval process was frozen.

Allianz last week reported it had been given permission to set up an insurance company in Shanghai, a step to winning a licence.

Mr Stuart Taylor, chief representative of Royal & Sun Alliance, has still not heard when or if a general licence would be approved. The UK company has been working closely with state officials, but he does not expect any good news until after Hong Kong returns to Chinese sovereignty on July 1: "If Hong Kong had been settled five years ago, we would already have a licence. No doubt about it."

The concept of insurance is relatively new in China. In the more orthodox years of Communist rule, all assets and liabilities were the property of the state; between 1958 and 1979 China simply suspended its insurance industry.

But the economic reforms of the late Deng Xiaoping restored the principle of individual responsibility and personal ownership, and the People's Insurance Company of China (PICC) was resurrected as a state monopoly to serve the growing demand.

Since the late 1980s, two other nationwide domestic insurers have sprung up: China Pacific Insurance and the Ping An, as well as four regional domestic insurance companies.

In 1995, PICC, still much the dominant player in the Chinese market, started substantial reorganisation, splitting into three companies focusing on life insurance, property insurance and reinsurance.

PICC's rationalisation and the issue of new detailed regulations to supervise insurance agents were in part a response to China's first taste of foreign competition, the arrival of aggressive AIG marketing in Shanghai.

One insurer says: "AIG came in here and flooded Shanghai with agents using every technique to sell the Chinese all kinds of policies. That worried the Chinese, who slowed down the process. It backfired for the rest of us."

Mr Di Weiping, vice-president of the People's Bank of China, the central bank, which oversees liberalisation of the insurance industry, believes the domestic industry still needs time to develop.

"The insurance industry here is a very infant industry, and as in many economies, people try to protect an infant industry. We have to open the insurance industry very gradually," he says.

Perhaps the most significant change for those companies still hoping to be admitted to the Chinese market is the changing attitude to insurance.

In the early 1990s, the Chinese took to the idea of insurance with great enthusiasm, but still tended to resolve loss or damage through traditional routes: a deal with the police or an agreement meted out by the local party secretary.

Recently, people have been starting to press their claims. Mr Taylor of Royal and Sun Alliance says: "The market is really getting to grips with the way insurance works. People are beginning to understand what a policy can do for you and the pressure is on to pay out for damages."

James Harding

Hashimoto: happily chain-smokes in public

Japan's nicotine stains hard to remove

By Gwen Robinson in Tokyo

Japan has a nicotine-stained reputation and the government wants to clean it up. But this could be expensive and unpopular.

The yellowing offices shrouded in smoke; chain-smoking businessmen in train carriages; and cigarette vending machines dotted throughout towns and cities are evidence of a nation of heavy smokers whose habit is a massive revenue earner for the government.

The only health warning currently required on cigarette packets is that smoking "may possibly harm your health, so please be careful not to smoke too much – and please observe good smoking manners".

It is a characteristically polite Japanese response to an issue which the government now believes requires more than politeness. It is now taking its first tentative steps actively to curb smoking.

In spite of a slowly emerging anti-smoking lobby, Japan is one of the largest tobacco markets in the advanced industrialised world.

The health ministry recently decided to include – for the first time – a chapter on smoking in its forthcoming annual white paper on health issues. The paper will state that smoking is harmful to health and briefly mention links between smoking and lung cancer, according to ministry officials.

The move coincides with a government decision to lock up cigarette vending machines in public places from 11pm until dawn. This is ostensibly to prevent children from buying cigarettes, but its impact is thought to be minimal.

Such measures, however, have been carefully tailored to limit the impact on powerful vested interests, beginning with the government's vastly lucrative stake in Japan Tobacco. The formerly state-owned cigarette company maintains a monopoly on the right to produce tobacco in Japan, and still boasts a domestic market share of over 80 per cent.

More significantly, the company lists as its majority shareholder "the finance minister", who controls a 67.1 per cent stake on behalf of his ministry. In the business year to March, Japan Tobacco is expected to report sales of nearly Y3,600bn ($31bn), up from Y3,548bn last year.

Anti-smoking activists are now castigating the health ministry for disabling its embryonic campaign in deference to the more powerful finance ministry.

Their ire has been fuelled by Japanese media reports that the white paper's much-vaunted cautions against smoking will be offset by arguments in favour of the habit.

If public figures are supposed to set examples, that, too will be difficult in Japan. The prime minister, Mr Ryutaro Hashimoto, happily chain-smokes in public.

ASIA-PACIFIC NEWS DIGEST

Singapore trade picks up

Singapore posted its best trade performance for six months in April, reinforcing growing opinion that its economy is gradually recovering. Non-oil domestic exports jumped by an unexpected 5.9 per cent to S$7.7bn (US$5.5bn) in April compared with the same month a year ago. This reverses five consecutive months of decline, mainly due to a slump in global demand for electronics products, which account for more than 60 per cent of Singapore's exports by value.

The main reason for the uptrend was a 22 per cent rise in disk-drive exports to the US and an 11 per cent increase in semiconductor exports to all countries, though the Trade Development Board said it was too early to conclude the recovery in global electronics demand had begun. However economists said that an upward trend was likely. *James Kynge, Kuala Lumpur*

Riots mark Indonesia election

Riots broke out in central Java yesterday and troops fired shots in the capital Jakarta as thousands of people poured on to the streets in support of a minority Moslem-backed party contesting elections on May 29. Witnesses said up to ten thousand supporters of the Moslem-oriented United Development Party (PPP) attacked an office of the ruling Golkar party in the town of Pekalongan, about 260 miles (415 km) east of Jakarta.

In the capital, a riot nearly broke out after police earlier broke up a street battle between backers of the PPP and Golkar. Yesterday's violence flared despite a decision by PPP leaders not to campaign in Jakarta yesterday after street battles between its supporters and Golkar rivals last weekend.

In financial markets, the rupiah softened slightly on reports of the violence, easing about three points from the opening to 2,444 against the dollar. *Reuter, Jakarta*

India-China air links agreed

India and China have agreed to inaugurate formal air links, permitting their national carriers to fly twice weekly between New Delhi and Beijing. Direct travel between the two capitals has to date been possible only on a fortnightly flight operated by Ethiopian Airlines. The lack of air links reflects poor trade, diplomatic, cultural and other exchanges between the two countries, which went to war over a still unresolved border dispute in 1962.

Mr M.K. Kaw, India's newly-installed civil aviation secretary, said the accord would "promote closer commercial and economic relations". It follows efforts to foster ties after the visit of China's President Jiang Zemin to Delhi earlier this year. Annual bilateral trade is $1.2bn representing 2.3 per cent of India's trade and 0.4 per cent of China's. *Mark Nicholson, New Delhi*

Boat people checks blocked

Vietnam has blocked British and Hong Kong officials from carrying out checks to ensure former boat people are not being discriminated against on their return from camps in the British territory. The move worries diplomats as it comes only weeks before Hong Kong reverts to Chinese sovereignty and flies in the face of Hanoi's previous pledges to ensure smooth reintegration of its former asylum seekers.

Vietnamese being forcibly repatriated have been monitored by British and Hong Kong officials to ensure they are receiving proper access to education, identity papers and jobs. No formal agreement exists between Vietnam and Britain for these checks, but the Vietnamese authorities have given tacit agreement for them over the last five years. *Jeremy Grant, Hanoi*

HK chief justice named

By Louise Lucas in Hong Kong

Mr Andrew Li, a member of the Hong Kong governor's advisory cabinet, was yesterday appointed chief justice for the post-colonial administration.

He will sit at the apex of the territory's new legal structure, the Court of Final Appeal, which takes over from the UK Privy Council after June 30.

Mr Chris Patten, governor of the colony – who was in London for talks with Mr Tony Blair, British prime minister – and Mr Justice Power, the acting chief justice, both welcomed Mr Li's appointment.

"I wholeheartedly welcome that announcement," Mr Patten said. "It's very good news for the rule of law in Hong Kong that such a distinguished lawyer has been chosen in that post."

Mr Power promised "all members of the judiciary will give unstinting support to the new chief justice."

Mr Tung Chee-hwa, who takes over from Mr Patten as chief executive on July 1, will formally appoint Mr Li the same day. He called Mr Li an outstanding lawyer and added: "An independent judiciary has been and will remain the cornerstone of Hong Kong's stability and prosperity."

Mr Li is seen as being able to judge independently and uphold the rule of law, which many businessmen say is vital in ensuring Hong Kong's continued success after the handover.

Mr Li, a graduate of Cambridge University in the UK, was unanimously chosen by an independent body set up under the Basic Law, Hong Kong's post-handover constitution, for the purpose of advising the chief executive on judicial appointments.

● Mr Tony Blair, UK prime minister, may not attend ceremonies in Hong Kong on June 30 to mark the transfer of sovereignty to China, Downing Street confirmed yesterday, George Parker writes in London.

"The prime minister has to consider this in the context of all his other duties and appointments," a spokesman said.

Talks with Sinn Féin resume today for first time after ending of IRA ceasefire in 1996

Adams deplores Blair's 'barren' attitude

By John Murray Brown and John Kampfner

British officials will today face Sinn Féin for the first round of talks since February 1996, when the Irish Republican Army ended its 18-month ceasefire with a bomb in London.

The restoration of official contact comes five days after Mr Tony Blair, in his first attempt to revive the search for a settlement, said he would allow preparatory discussions to take place before a formal ceasefire announcement by the IRA.

However, the prime minister made clear he did not intend to negotiate terms for a ceasefire ahead of the June 3 resumption of multi-party Northern Ireland talks from which Sinn Féin is still excluded.

In an apparent hardening of the Sinn Féin position, Mr Gerry Adams, its president, called for "immediate" access to the talks, once the IRA called off its campaign.

The UK and Irish governments have until now agreed there would have to be some period to verify the ceasefire, although Mr Blair, in his speech in Belfast last Friday, did not mention a time frame.

Mr Adams told the Irish News, a moderate nationalist newspaper in Northern Ireland, that Mr Blair's speech was "barren of new thinking".

"Nationalists felt disturbed to hear Mr Blair declare himself a unionist with such gusto," Mr Adams said.

There was no point pretending partition of the island of Ireland was a solution, he added. "If progress is to be made, then the new government must give a new political direction to its officials". In the only sign of flexibility, Mr Adams said the IRA would call the "unequivocal" ceasefire sought by London, Dublin and Washington if it received "clear assurances" that a "genuine peace process" was on offer.

Mr Adams said: "What is needed here is new thinking. Sinn Féin will play a positive role. Let people be absolutely assured: We are in a peace negotiation mode. That is the mood Sinn Féin is in. We want to move it forward."

He appeared to reject government calls for the end to so-called punishment beatings, saying that a ceasefire "would represent the most important confidence building measure on the IRA's part".

The main constitutional parties have welcomed Mr Blair's first foray into the peace process, with the Ulster Unionist party reacting with equanimity to the restoration of exploratory talks with republicans. The Ulster Unionists are the largest pro-British party in Northern Ireland.

However, the more hardline Democratic Unionists accused British ministers of "reckless and irresponsible" behaviour. "The government can cobble together any deal it likes with the IRA, but no decision of theirs will be binding on the unionist people," said Mr Peter Robinson, the Democratic Unionist deputy leader.

Party over for deflated Conservatives

Once-mighty cohorts of Margaret Thatcher sink to squabbling over leadership voting

Britain's once-mighty Conservative party has been dominated in recent years by one overwhelming question: who will be its next leader?

As Mr John Major was buffeted from crisis to crisis in his final years as prime minister, the question of the succession started to overshadow everything that he and his cabinet colleagues did. With his party hurtling towards inevitable defeat after 18 years in government, gossip about the leadership seemed to be the only thing on the minds of Conservative MPs at Westminster.

In the wake of the general election defeat on May 1, the task of choosing a new leader is inescapable and the race is on. In the wake of Labour's landslide victory – the new government's MPs form some two-thirds of the new House of Commons – Mr Major immediately stood down as Conservative leader. Six candidates have set up campaign teams and are preparing to run. The pro-European and anti-European wings of the party are loading their guns and pointing them at each other.

And yet – after all the waiting – the great battle for the leadership is turning into a far more confusing affair than had been expected. With less than a month to go to voting (the electorate at the moment consists only of the party's MPs) no clear favourite has emerged.

Moreover, there is general agreement at Westminster that none of the candidates offers strong hope of defeating Mr Tony Blair, the new prime minister, at the next general election, which must be held within five years.

With the Conservative party reduced to a rump of 164 MPs at Westminster – its lowest figure this century – an unseemly squabble is developing over the rules under which the contest should be conducted.

Looking in more detail at the runners and riders, the first thing to note is who is not in the field rather than who is.

Mr Michael Heseltine, the former deputy prime minister and one of the Conservatives' legendary figures of the 1980s and 1990s, quit the contest through health problems. Mr Malcolm Rifkind, the former foreign secretary, lost his seat at the election. So, too, did another man who would probably have won: Mr Michael Portillo, ex-defence secretary and, for all his rough edges as a politician, the darling of the Conservative right.

That leaves the field open to six candidates – none of whom is tailor-made either to lead the party to better things, or to win total support from Conservative MPs.

In the running

Kenneth Clarke, chancellor of the exchequer from 1993 to this month's general election defeat, is the main candidate of the party's centre-left and one of its most fervent pro-Europeans

John Redwood, one of the party's most vocal and prominent Eurosceptics, resigned from John Major's cabinet in 1995 to challenge him for the party leadership and lost

William Hague at 36 is one of the youngest ex-cabinet ministers of the 20th century. Now emerging as a possible unifying figure in the John Major mould

Out of the race

John Major led the party to one of its most crushing defeats on May 1 and now says: "I am yesterday's news". Serving as caretaker leader until his successor is chosen

Malcolm Rifkind, who lost his Commons seat in the general election, was the foreign secretary in Major's government who spent much of March touring European capitals lecturing politicians on the limits of integration

Michael Heseltine is a previous leadership contender who served as Major's deputy prime minister. A strong pro-European, he has abandoned leadership hopes because of illness

First, there is Mr Kenneth Clarke, the former chancellor of the exchequer, who was the first to declare his candidacy after the election defeat. He is widely regarded as the outstanding figure, a former health secretary and home secretary responsible for many of the great reforms of the Tory era. His Achilles' heel, however, is Europe. His sympathy for a single European currency chimes badly in a party that has become increasingly Eurosceptic.

A second strong runner is Mr William Hague, the former chief minister for Wales. At 36, he is regarded as far too young for the leadership, but some MPs feel he embodies the sense of rejuvenation the party needs after defeat. There is speculation that he is receiving strong backing from the party's headquarters machine. Another strong runner is Mr John Redwood, the cabinet minister who challenged Mr Major for the leadership in 1995. Strongly anti-European, he would firmly rule out sterling's entry into Emu on constitutional grounds. But he is seen by too many MPs as a cold fish – "half human, half Vulcan," as he is sometimes called.

The remaining three are outsiders. Mr Michael Howard was arguably the only Conservative home secretary ever to get to grips with tackling law and order. But his campaign has been fatally damaged by a dramatic attack on him this week by one of his former subordinates.

Mr Peter Lilley, social security secretary in the Major government, is one of the great intellectuals in his party – but he is too mild-mannered for the top job. Mr Stephen Dorrell, the former chief health minister, is picking up too little support from an electorate which is suspicious of his constant manoeuvring over issues such as Europe.

It is a lacklustre line-up. But hanging over it all, is a sense for many MPs that the party is hurtling into the business of choosing a new leader too quickly. Mr Major has made no secret that he wants to quit the post of leader of the opposition – and premier league politics – as fast as he can. There is a clamour, too, for the party to elect a leader as soon as possible to confront a confident Mr Blair in the House of Commons.

But some Conservatives believe a priority now should be to overhaul the rules for the leadership election, enfranchising party activists, before the election finally goes ahead. Among the arguments is that none of the party's 164 MPs in the Commons represents it in Scotland, Wales or north-east England – and that some mechanism must be found of giving those areas a say in the final vote. Others simply say this must be a time for reflection rather than racing into a new decision.

It is a sorry spectacle. As one Tory MP puts it: "The Conservative party is like a sagging balloon – utterly deflated, hanging in mid air, uncertain of its direction." How the mighty party of Margaret Thatcher is fallen.

James Blitz

Brussels welcomes stance on fish quotas

By Neil Buckley in Brussels

British and European Commission officials began talks in Brussels yesterday aimed at tightening the rules on "quota hopping", or vessels with non-UK owners using British licences to fish in British waters.

The talks on resolving the long dispute between the UK and its European partners began after the first meeting between Mr Jack Cunningham, agriculture secretary, and Mrs Emma Bonino, EU fisheries commissioner.

Mr Cunningham told the Commissioner the quota-hopping issue was "top of our agenda". The issue involves more than 150 vessels with non-UK owners which catch more than a quarter of Britain's EU-imposed fishing quotas.

But he indicated that, unlike the previous government, the new Labour administration was prepared to negotiate on the basis of proposals from Brussels to tackle the problem. "We agreed to begin talks to seek an agreement on a common way forward," he said.

The ideas under discussion would not prevent one country's fishing boats acquiring licences to fish against another country's quotas, which would contravene freedom of movement rules in the EU's governing treaty, the Treaty of Rome.

But they would require foreign-owned vessels to establish "strong links" with the regions where they were fishing, for example by forcing them to land a portion of their catch in the local area.

Foreign-owned vessels might also be required to employ a certain number of local crew members, comply with local fishing safety rules, and even to pay social security contributions to the country whose quota they were fishing against. The European Commission welcomed Mr Cunningham's preparedness to negotiate.

Mr Cunningham said he hoped it might be possible to resolve the issue in time to include a protocol in the new EU treaty due to be agreed in Amsterdam next month. But the new government has dropped the threat by the previous Conservative administration to block agreement at Amsterdam unless the quota-hopping issue was solved.

At his first meeting with EU agriculture ministers, Mr Cunningham promised to speed up the selective cull of UK cattle most at risk from BSE, or "mad cow disease", with the aim of getting the ban on British beef exports removed.

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Reform at central bank is applauded

Financial Times Reporters in London

Regulators, banks and financial services companies yesterday welcomed Mr Gordon Brown's announcement that the Bank of England's supervisory powers are to be passed to the Securities and Investments Board.

Mr Phillip Thorpe, chief executive of Imro, regulator of the fund management industry, said "following the period of uncertainty we are pleased to learn of the government's intentions and look forward to the early and full participation as envisaged by the chancellor. Its success will depend on how it is implemented". Mr Nicholas Durlacher, chairman of the Securities and Futures Authority, the investment banking regulator, called it a "thoroughly sensible and more radical approach than we had before the general election; it is what we feared would not happen – but hoped would". He said investment banks would welcome the end of regulation duplication by the SFA and the Bank of England, the UK central bank.

Ms Colette Bowe, chief executive of the Personal Investment Authority, said: "It's very important that the new legislation is comprehensive and flexible. That is what will count for investors."

Mr Tim Sweeney, director general of the British Bankers' Association, called Mr Brown's announcement a "bold move". He said that the banking industry had always valued two aspects of its relationship with the Bank of England: "first that supervisors are close to the markets they supervise. Second, that it has been a consultative system, making supervisory policy more effective. We will be looking for this to continue".

Mr Derek Wanless, group chief executive of National Westminster Bank, said that by having only one regulatory body "this will provide a more efficient and clearly focused framework in which to operate". Sir Peter Davis, chief executive of the Prudential, the country's biggest life insurer, said: "We welcome this news which reflects our long-held view."

Halifax building society [mutually-owned home loan company] which converts to a bank next month in a £15bn ($24.30bn) flotation, said it now expected to be regulated by SIB rather than the Bank of England.

It said: "We broadly welcome this reform because it seems to give us the kind of regulation we have been recommending in the past."

"It's a good thing for insurers because there are tiers of regulation removed and the process becomes simpler," said the Association of British Insurers.

Survival of fittest after sport loses tobacco cash

Impact of ban on sponsorship by cigarette companies is expected to vary widely

For Britain's biggest sports, Monday's announcement that the government intends to ban sponsorship of sporting events by tobacco companies will prove a considerable inconvenience but not necessarily a financial disaster.

Although tobacco companies spend millions of pounds every year on sport in the UK, the nationally popular sports with long-standing ties to the tobacco industry, such as cricket and motor racing, are confident they can either find replacement sponsors or ways around the new rules. But for less wealthy sports such as snooker, darts and ice hockey, the ban could have serious financial consequences. The British Darts Organisation, which has a contract with Embassy to sponsor its two biggest events, described the government's proposal as a "huge blow", while Mr David Temme, chairman of the ice hockey Superleague, said the plans were "serious for us".

The sports world has known for some time that its relationship with the tobacco industry was under threat, an awareness that led to a gradually reduced involvement by tobacco companies in some sports.

But the industry's support for events and teams remains substantial. Current deals range from Rothmans' £15m-a-year ($24.30m) backing of the Williams-Renault Formula One motor racing team, to Benson & Hedges' £4m five-year deal in one-day cricket, and the same brand's £250,000-a-year sponsorship of the ice hockey knockout competition.

The extent to which these deals will have to be scrapped or renegotiated will depend on the nature and timing of the proposed ban, which for the moment remains unknown.

However, Mr Frank Dobson, chief health minister, has said the government would give sport time to reduce its dependency on tobacco advertising and find other sponsors, and sport is hoping it will be allowed to honour existing deals with tobacco companies.

Yet several deals are still in their infancy – Benson & Hedges' £4m sponsorship of snooker's Masters event will not expire until 2002 – and the government is unlikely to want to wait up to five years before finally eliminating cigarette brand names from the sporting landscape.

Even if sports are forced to change sponsorships midstream, industry experts believe the best-known competitions should have no difficulty in attracting new backers.

Mr John Perera, head of sponsorship consulting at API, the UK sponsorship agency, said: "The lack of available quality sports properties is the problem. A number of very valuable sponsorship properties will now come on the market – such as in cricket and rugby league – and I believe they will have no difficulty in finding replacement sponsors. It will be more of a struggle for less mainstream sports like snooker and darts." The one sport that appears likely to be most inconvenienced by the ban, Formula One motor racing, is not unduly concerned by the proposals. It receives by far the largest proportion of roughly £100m in tobacco sponsorship funds going to motor sport each year, but will suffer very little in practical terms from the intended legislation.

This is partly because for some years no tobacco brand names have been displayed on cars or anywhere else at the British grand prix, under a voluntary code agreed in the late 1980s. The code also exists in Canada, France and Germany.

Yet even with these restrictions in place, Philip Morris, Rothmans, RJ Reynolds and other tobacco groups have been highly successful in getting around the agreement by having the cars they sponsor painted in liveries instantly associated with their brand names, even though the name itself does not appear.

Patrick Harverson
John Griffiths

UK NEWS DIGEST

Row grows over cash from MP

Pressure grew yesterday on the Labour party leadership to take disciplinary action against an MP at the centre of allegations that he gave money to a rival election candidate.

The case of Mr Mohammed Sarwar, who denies any impropriety, will be discussed at a meeting today of the National Executive Committee, Labour's main organisational body. Mr Sarwar, who won a Scottish seat in the general election after a fierce tussle with Scottish nationalists, is Britain's first Muslim MP.

Senior Labour officials said Mr Sarwar had admitted that he had given an independent candidate £5,000 ($8,100) – but in the form of a loan and after the election campaign had ended. Police have launched an investigation into allegations of bribery after receiving instructions from Scotland's chief law officer.

Mr Sarwar has issued a writ for defamation against a newspaper, which alleged that he had offered money to Mr Badar Islam, standing in the same Govan district of Glasgow as an Independent Labour candidate, in return for toning down his campaign. The NEC, which consists of senior cabinet members, party officials and trades unionists, will be presented with a report outlining the background to the Sarwar case, including the divisions his selection caused locally. *John Kampfner, London*

■ DEFENCE

Missile system choice delayed

The government has postponed a decision on which missile will be used as the main armament for the Eurofighter next-generation combat jet by awarding both competing teams £5m ($8.10m) development contracts.

Matra BAe Dynamics and Hughes (UK) will spend a year reducing the risks in the Future Medium Range Air-to-Air missile programme before the government decides which missile it wants. The Ministry of Defence had been scheduled to choose between the two by the middle of the year, but worries over the ramjet technology used on the missile has provoked the delay.

Postponing a decision means the ministry can avoid making a choice while its strategic defence review is under way. *Bernard Gray, London*

■ BARINGS

Settlement closer for investors

Holders of bonds and perpetual notes issued by Barings, the merchant bank which collapsed in 1995, should get some of their money back after the company's administrators said they had reached an agreement in principle on a settlement.

The deal has been pieced together by the City Disputes Panel, an unofficial arbitration body. It has not yet been put to bondholders or noteholders for approval, and participants in the settlement were nervous yesterday that it could still fall apart.

The Barings administrators – Mr Nigel Hamilton, Mr Alan Bloom and Ms Maggie Mills of Ernst & Young – said yesterday they would take the agreement to court for approval in the coming months. ING, the Dutch insurance group, took over the Barings business after its collapse, but that left bondholders with a claim on Barings plc, a defunct company.

Besides ING, contributors to the settlement could include the brokers to the three bond and note offerings: ABN Amro Hoare Govett; BZW, the investment banking arm of Barclays; and Cazenove. *George Graham, London*

■ INDUSTRIAL RELATIONS

Peace hopes in public staff dispute

The prospect of a prolonged period of industrial relations peace in local government grew yesterday with the announcement that delegates representing 860,000 local government staff in Unison, the public service union, backed a pay and single status agreement. The members will be asked to support that decision in a secret ballot to be held next month. Earlier in the week, the overwhelming majority of the 100,000 council staff who belong to the Transport and General Workers' union also voted for the deal, the largest of its kind in Britain.

While only a third of the T&G workers involved participated in the postal ballot, almost all of those backed the deal. "This result means an end to low pay and the introduction of equality of status for manual and non-manual workers by the millennium," said Mr Jack Dromey, the union's national secretary responsible for local government. *Robert Taylor, London*

■ RECORDED MUSIC

Retail album sales fall by 7%

The music industry suffered its first quarterly fall in album sales since 1992 during the first three months of this year, official figures showed yesterday.

A dearth of exciting releases and a decline in cassette sales were the main reasons for the slowdown. Figures from the British Phonographic Industry, the trade association, reveal that the number of albums sold at retail outlets fell 7.1 per cent to 41.4m in the first quarter. By contrast, singles were buoyant, with sales up 6.7 per cent to 19.8m. The sluggish first quarter follows a buoyant period for the UK music industry. It enjoyed a 6 per cent increase in retail sales to £1.08bn ($1.74bn) in 1996, during a difficult year for its peers in the US, Canada, France and Germany. *Alice Rawsthorn, London*

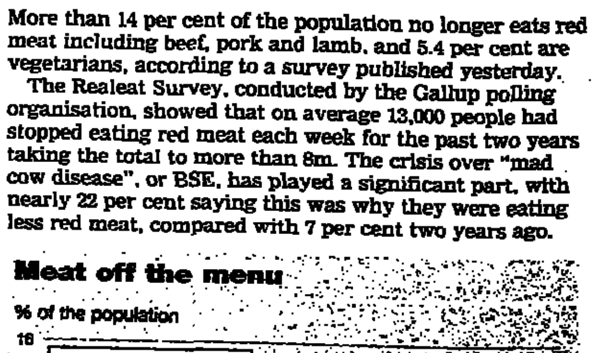
■ FOOD SURVEY

'Fewer choosing to eat red meat'

More than 14 per cent of the population no longer eats red meat including beef, pork and lamb, and 5.4 per cent are vegetarians, according to a survey published yesterday.

The Realeat Survey, conducted by the Gallup polling organisation, showed that on average 13,000 people had stopped eating red meat each week for the past two years taking the total to more than 8m. The crisis over "mad cow disease", or BSE, has played a significant part, with nearly 22 per cent saying this was why they were eating less red meat, compared with 7 per cent two years ago.

Meat off the menu



Taste has become more significant, with 24 per cent citing this as their main reason for eating less meat, compared with 16 per cent in 1995.

The survey – for the Haldane Foods Group, which incorporates seven manufacturers of vegetarian meals – interviewed 4,000 people in March, just before the first anniversary of the BSE crisis. *Alison Maitland, London*

Forum commends economy 'reborn out of sweeping privatisation, deregulation and other reforms'

Nation leaps in competitiveness league

By Guy de Jonquières and David Wighton

Britain has sharply improved its economic competitiveness in the past year and now outranks the rest of the European Union and every east Asian economy except Singapore and Hong Kong, according to a survey.

The latest competitiveness report by the Geneva-based World Economic Forum puts Britain in seventh place worldwide, up from 15th last year. The organisation said Britain had recovered from relative economic decline to become "the envy of continental Europe".

The report particularly praises Britain's success in overhauling its welfare state, cutting tax rates, increasing labour market flexibility and achieving sustained growth and falling unemployment.

"What we see in the UK is an economy reborn out of sweeping privatisation, deregulation and other structural reforms . . . that is now well poised to compete in the global economy," it says.

But the forum's findings were played down by Mr Gordon Brown, the chancellor of the exchequer, who said "if that were true, I would welcome it".

Mr Brown said on BBC Radio 4 that the WEF had "its view on a number of economic indicators" and added: "The accepted indicator of where we are in the world prosperity league is the OECD and we are 21st." Treasury officials later explained that assessments of competitiveness are based on subjective criteria unlike measures of prosperity.

The report says Britain's rating reflects a strong recent performance by Anglo-Saxon countries, led by the US. It says these countries are more competitive than any group except "entrepôt" economies, such as Singapore, Hong Kong and Switzerland.

By contrast, it says, other EU members are suffering "a chronic crisis of declining competitiveness," caused by rigid labour markets, burdensome social welfare systems and high levels of government spending.

The report is based on a weighted index designed to assess factors including economic performance, infrastructure, management quality, labour practices, financial systems, market openness and the role of government.

Singapore and Hong Kong retain their positions as the world's two most competitive economies. But the report says the recent performance of other Asian economies suggests the region's period of exceptionally fast growth may be ending.

The report ranks the US, China, India and Japan as the markets with the biggest growth potential. A survey of business executives for the report finds that they rate the US, Japan, Singapore and Germany as the most competitive countries.

The Global Competitiveness Report 1997. World Economic Forum, 53 Chemin des Hauts-Crêts, CH-1223 Cologny/Geneva. Tel: 4122-869 1222. Fax: 786 2744.

Competitive rankings

1996 rankings in brackets

[illegible]		[illegible]	
2 Hong Kong	(2)	12 Netherlands	(17)
[illegible]		[illegible]	
4 Canada	(8)	14 Japan	(13)
[illegible]		[illegible]	
6 Switzerland	(6)	16 Ireland	(26)
[illegible]		[illegible]	
8 Taiwan	(9)	18 Thailand	(14)
[illegible]		[illegible]	
10 Norway	(7)	20 Denmark	(11)

Source: World Economic Forum

Turkey rejects plea for return of businessman

By John Mason, Law Courts Correspondent

The Turkish authorities yesterday rejected British government pleas for Mr Asil Nadir – the fugitive businessman who this week moved his operations to Turkey – to be extradited to the UK to face trial.

Mr Nadir left northern Cyprus for Istanbul on Monday. This was the first time he has ventured outside northern Cyprus since May 1993, when he fled the UK to escape trial on charges of theft and false accounting over the collapse of Polly Peck, his former business empire. He has remained safe from extradition because no treaties exist to compel his return.

Mr Nadir has moved his operations to concentrate on a number of business developments, including joint ventures in Turkey and central Asia, Mr Peter Krivinskas, his UK lawyer, said.

Turkish police said that no action would be taken – in spite of requests from Interpol for the former Polly Peck chairman to be arrested – because the constitution prevented Turkish nationals such as Mr Nadir being extradited.

Mr Ihan Yilmazturk, head of the Turkish police's Interpol division, said: "It is not possible for a Turkish citizen to be extradited to the country in question, no matter what his crime may be."

The decision was a setback for the UK Foreign Office and Serious Fraud Office.

The Foreign Office said it was aware of the constitutional ban on Turkey extraditing its own nationals, but would continue to press for Mr Nadir's arrest.

Mr Krivinskas said the visit followed assurances from the Turkish government that no attempt would be made to extradite him to the UK.

He added that his client intended to make Turkey his main business base. "We are not talking about a short-term visit; Mr Nadir is now likely to be working in Turkey on a long-term basis," he said.

Track access deal worries rail freight operators

By Charles Batchelor, Transport Correspondent

Small freight operators could be squeezed off the railway network by a proposed deal on track access charges between English Welsh & Scottish Railway (EWS) and Railtrack, the Rail Freight Group said yesterday.

EWS, an offshoot of Wisconsin Central Transportation of the US, is the main UK rail freight company. Railtrack owns the national rail network's infrastructure.

The Rail Freight Group, representing companies involved in rail freight, said that action was required to ensure that other operators could continue in business or enter the market.

It added that the way EWS would be charged for developing new business – by means of a small additional charge on top a fairly high basic – would not provide an incentive to Railtrack to encourage more freight shipments.

The Rail Freight Group was responding to an appeal from Mr John Swift, the rail regulator, for the industry's views on the agreement. EWS has struck a four-year deal with Railtrack worth £120m. This would replace the existing individual agreements negotiated for each route. These are cumbersome and, says EWS, prevent it from responding quickly to customer requests for new services.

The group said it was concerned that by quoting an all-inclusive price to customers – covering the supply and maintenance of wagons and their movement – EWS would make it difficult for private wagon owners and suppliers to compete.

The problem could be overcome by requiring EWS to give a breakdown of charges for track access, supply of electrical power and hire of wagons, locomotives and crew. This would allow the regulator to decide whether there had been any abuse of monopoly power.

Racal pulls out of contest for radio contract

By Alan Cane in London

A much delayed contract crucial to the development of the next generation of police radio in the UK faces further uncertainty after one of the two shortlisted suppliers withdrew from the contest.

Racal Network Services, part of the Racal electronics and defence group, said yesterday that it had decided to step down as leader of one of the two consortia bidding for the Public Safety Radio Communications Project design contract because the commercial return did not justify the risk.

Quadrant, the other consortium, yesterday said it was ready to press on with the design study at a probable cost of £10m ($16.2m), to be met from its own resources. It believed it could deliver the system within the original timescale. The contract is expected to be awarded in December 1998 with a pilot in operation by mid-1999.

But the Home Office is determined to guarantee that the UK's 51 police forces, which are expected to buy the new radio system, will get value for money and is refusing to give Quadrant the contract by default.

Mr Terry Hamer, the Home Office official responsible for the project, said he is examining the possibility of either rejuvenating the consortium formerly led by Racal or instituting other controls. One option would be a close partnership between the winning consortium and the Home Office. "We believe we can claw back the lost time, but things cannot be allowed to drag," he said.

The PSRCP contract was announced in 1995 as part of the private finance initiative, which is designed to attract private finance to public sector projects.

Consortia competing for the project were required to go through qualifying exercises before bidding for the preliminary design study. Mr Jeff Parris, programme director for Quadrant – which comprises British Telecommunications, Motorola and TRW of the US, and Nokia of Finland – estimates each consortium would have to spend about £10m to complete the design study.

The Home Office has agreed to provide an unspecified amount of finance but it is believed to be a very small proportion of the total. The project should be worth about £1.5bn, over 15 years.

Banks have called for sweeping legislation to clear up the problems of the private finance initiative, George Graham writes.

The government has announced an urgent review of the scheme, headed by Mr Malcolm Bates, chairman of the Pearl Group. In a submission to the review, the British Bankers' Association says banks are eager to provide money for PFI projects as soon as legal uncertainties can be cleared up. "There is a genuine concern amongst banks' credit committees and legal advisers that the law at present does not give non-central public bodies the explicit powers to enter into PFI contracts," the BBA says.

Banks have been affected by a series of court decisions which have overturned contracts entered into by municipal authorities. French and Japanese banks were hit by a decision in the House of Lords that a west London authority had acted beyond its powers in engaging in financial swaps.

Property debt 'understated'

By Mark Suzman in London

The Bank of England's calculations of commercial property-related debt may understate the size of the market by more than 50 per cent – about £17bn ($27.54bn) – says research announced yesterday.

Savills, the property consultants, found that a growing proportion of commercial property lending is done by institutions such as building societies (mutually-owned home loans companies) which do not report to the Bank of England, the UK central bank, and so are not included in its debt figures.

In an analysis of the top 80 lenders to the UK property market, Savills found that 23 did not report to the Bank of England. Those include building societies companies and insurance companies, who report to their own industry regulators, and institutions based outside Britain which are not required to provide information to UK regulators.

Although the Bank acknowledges that its calculations represent only a clearly defined "lending population," the study suggests that the closely-watched figures are not necessarily a reliable guide to the size and direction of the overall market.

The most recent report from the Bank of England put total property related debt at just over £30bn and suggested that it was declining. But Mr William Newsom, the head of valuations at Savills who conducted the research, said the total lending market was probably £17bn larger and growing.

"In an increasingly international market, where new overseas banks are making decisions about opening up in London, there is undoubtedly a need for accurate statistics," he said.

MANAGEMENT

Financial Times / Booz-Allen & Hamilton Global Business Book Awards: Finalists

A total of 23 books published in 1996 has been selected as finalists in five main categories. The finalists in each category are listed right. The winner of each category receives a $5,000 award and is a contender for the overall title of Best Business Book, which has a prize of $25,000.

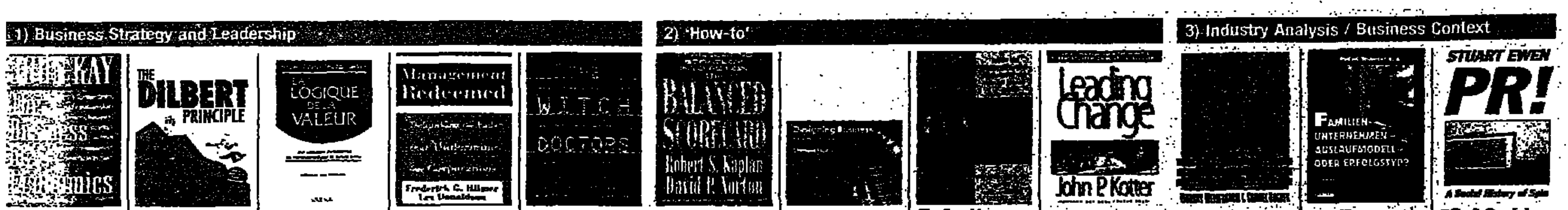
There are additional prizes chosen by the FT and by Booz-Allen & Hamilton. These 11 shortlisted books are below. There will also be a Judges' Prize to recognise a particularly influential business book, regardless of publication date.

Further information is available on the Global Business Book Award website, www.gbba.com.

● The Lex Prize
Awarded by the Financial Times for the best business history
Ashes to Ashes by Richard Kluger (Alfred A Knopf)
Forbes Greatest Business Stories of All Time by Daniel Gross and the Editors of Forbes Magazine (John Wiley & Sons)
Founder by Amos Elon (Viking)
Smokescreen by Philip Hilts (Addison-Wesley Longman)
User-Driven Innovation: The World's First Business Computer by David Caminer, John Aris, Peter Hermon and Frank Land (McGraw-Hill)
Working Dollars: The VanCity Savings Story by Herschel Hardin (Douglas & McIntyre)

● The Edwin G Booz Prize
Awarded by Booz-Allen & Hamilton for the most insightful, innovative management book
Against the Gods: The Remarkable Story of Risk by Peter Bernstein (John Wiley & Sons)
The Age of Heretics by Art Kleiner (Currency/Doubleday)
Business as a Calling by Michael Novak (Free Press)
Moths to the Flame: The Seductions of Computer Technology by Gregory JE Rawlins (MIT Press)
Scenarios: The Art of Strategic Conversation by Kees van der Heijden (John Wiley & Sons)

1) Business Strategy and Leadership



***The Business of Economics* by John Kay (Oxford University Press)** Wide-ranging essays by top Oxford academic

***The Dilbert Principle* by Scott Adams (HarperBusiness)** Jaundiced but very funny view from the white-collar shopfloor

***La Logique de la Valeur* by Pierre Jocou and Pierre Meyer (Dunod)** Renault boss tackles quality and related issues

***Management Redeemed* by Frederick Hilmer and Lex Donaldson (Free Press)** Contrarian management thinking from Australia that debunks fads, defends hierarchy

***The Witch Doctors* by John Micklethwait and Adrian Wooldridge (William Heinemann)** Two British journalists explore management theories and theorists

2) 'How-to'

***The Balanced Scorecard* by Robert Kaplan and David Norton (Harvard Business School Press)** Broad-based performance measurement to help companies escape obsession with financials.

***Designing Business* by Clement Mok (Macmillan Computer Publishing)** Using design to bring order to multimedia chaos – with free CD-Rom

***Finding Your Wings: How to Locate Private Investors to Fund Your Venture* by Gerald Benjamin and Joel Margulis (John Wiley & Sons)** Practical guide to finding private capital and understanding what such investors want

***Leading Change* by John Kotter (Harvard Business School Press)** Top Harvard professor explains how to avoid common mistakes when changing organisations

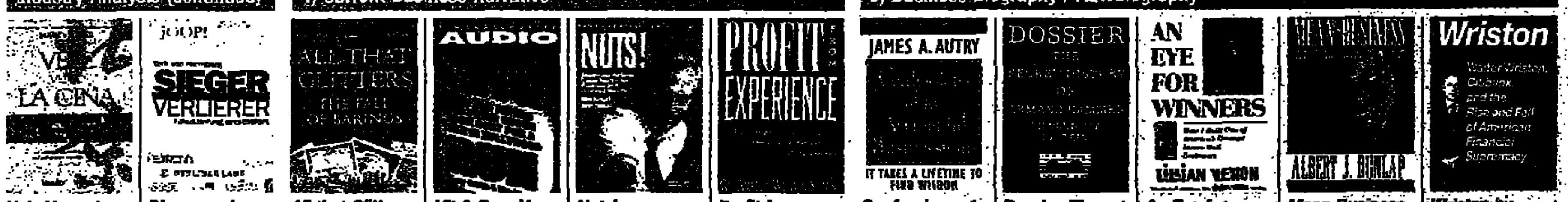
3) Industry Analysis / Business Context

***The Bamboo Network* by Murray Weidenbaum and Samuel Hughes (Free Press)** How overseas Chinese business families are investing in China – and how to do business with them

***Familienunternehmen* by Rudolf Wimmer et al (Gabler)** Success and failure in family-owned companies, with German case histories

***PR: A Social History of Spin* by Stuart Ewen (Basic Books)** History of public relations in US, including interview with the legendary 99-year-old Edward Bernays

Industry Analysis (continued)



***Vele Verso La Cina* by Maria Weber (Edizioni Olivares)** How to do business in China, by Italian expert

***Sieger und Verlierer* by York von Heimburg (Metropolitan Verlag)** Winners and losers among top German companies – the difference is focus

4) Current Business Narrative

***All that Glitters* by John Gapper and Nicholas Denton (Hamish Hamilton)** How Nick Leeson broke Barings, by two FT journalists

***Hit & Run: How Jon Peters and Peter Guber Took Sony for a Ride in Hollywood* by Nancy Griffin and Kim Masters (Simon & Schuster)** Painful but hilarious tale of Sony's $3bn mistake at Columbia Pictures

***Nuts! Southwest Airlines' Crazy Recipe for Success* by Jackie Freiberg and Kevin Freiberg (Bard Books)** Lavish celebration of successful but relentlessly offbeat US airline

***Profit from Experience* by Gil Amelio and William Simon (Van Nostrand Reinhold)** Apple boss draws lessons from his turnround of National Semiconductor

5) Business Biography / Autobiography

***Confessions of an Accidental Businessman* by James Autry (Berrett-Koehler)** Publisher-turned-poet offers anecdotes and insights from his corporate past

***Dossier: The Secret History of Armand Hammer* by Edward Jay Epstein (Random House)** Investigative journalist accuses dead oil tycoon of fraud, corruption and espionage

***An Eye for Winners* by Lillian Vernon (HarperBusiness)** Mail-order tsarina tells how she built a $240m company from scratch

***Mean Business* by Albert Dunlap (Times Books)** "Chainsaw Al" describes his take-no-prisoners management techniques

***Wriston* by Phillip L Zweig (Crown Publishers)** Mammoth 950-page biography of the man who made the modern Citibank

The Judges
Don Perkins (chairman), former chairman, chief executive, Jewel Companies
John Baker, chairman, National Power
Antonio Borges, dean, Insead
Kazuo Chiba, former Japanese ambassador to the UK
Brian Dickie, president and chief operating officer, Booz-Allen & Hamilton
David Fine, chief executive, [illegible]
Piero Giarda, under secretary, ministry of the treasury (Italy)
Richard Lambert, editor, Financial Times
Francis Lorentz, professor, Paris-Dauphine University
John McCarter, president and chief executive, the Field Museum of Natural History
Rafael Paez, former chief executive, Grupo ALFA SA

Best of the business books

Peter Martin outlines the main themes to emerge from this year's crop of titles

Considering how much brain power is applied to business issues every day around the world, surprisingly little original thinking makes its way into print – at least in book form.

The Financial Times/Booz-Allen & Hamilton Global Business Book Awards, now in their second year, provide a helpful guide to the best of this thinking, summarised in the list of finalists above.

Winners of the awards will be announced in New York today and published in the Financial Times tomorrow. The panel of judges, chaired by Don Perkins, former chairman and chief executive of Jewel Companies, has been drawn from business, academia and journalism.

The list of finalists suggests the breadth of business publishing, but it under-represents the flood of me-too titles in fashionable areas such as leadership.

On the awards' definitions, roughly 150 business books were published in the main languages of the developed world last year – excluding textbooks, narrow single-topic "how-to" works, and computer manuals.

So similar are many of these titles, however, that words fail the blurb-writers. "Why is there a need for another book on leadership?", writes one publisher, before going on to offer the reader a beachfront choice: "You can stay ashore, with your head in the sand, or you can cast off into an uncertain adventure."

A rival title promises to teach "how leadership roles are defined for those willing to assume responsibility for fostering change through 'leading the learning organisation'". Note the skilful way in which this chapter combines four hot (or at least lukewarm) themes: taking responsibility, fostering change, assuming leadership, and creating a learning organisation.

Different countries produce different types of business book. American and Australian entries are the most strident and upbeat: "This truly epochal work of business strategy ... what matters now, and from now on, is total system leadership." There is, however, a rival theme: a minority of US books attacks top executives for their pay, perks and power.

German titles are strong on detailed description of individual best practices. French books are big on theory. Italy's business books blur the distinction between writing about business and writing about government, politics and society. British business books feature high-quality journalism – from two FT journalists, writing about the Barings crash; from two Economist authors, writing about management theory; and from the distinguished academic, John Kay, whose collected essays include some written for this newspaper.

Refreshingly, there is a trickle of books from outside the mainstream – including three of the Global Business Book Awards finalists. Michael Novak, a Catholic theologian, has written a book called *Business as a Calling: Work and the Examined Life*. "Business has a vested interest in virtue," he says. "It cannot go forward with realism, courage, wisdom, honesty and integrity without a motivated and virtuous work community."

Another non-standard work is *Confessions of an Accidental Businessman*, which attempts, in the publisher's words, "to deal honestly and courageously with the pain as well as the glory of a top executive's climb up the corporate ladder".

And *The Dilbert Principle*, by the creator of the Dilbert cartoon strip, Scott Adams, is a management book infused with the sense of bristling anger often felt by today's knowledge workers, impatient at being managed by buzzword. The Dilbert Principle is simple: in today's workplace, the most ineffective workers are systematically moved to the place they can do least damage – management.

Dilbert offers a simple test to see if you have succumbed to his principle. Read the following sentence, taken from an actual company memo: "The Business Services Leadership Team will enhance the organisation in order to continue on the journey towards a Market Facing Organisation (MFO) model. To that end, we are consolidating the Object Management for Business Services into a cross strata team." If it makes sense to you, you're a potential purchaser of a book on leadership.

To order copies of any of these books, please refer to the FT Bookshop advertisement on these pages.

IRISH FOOD AND DRINK

With state support for R&D, maturity in the corporate sector and the emergence of strong brands, Ireland is starting to compete effectively, says John Murray Brown

A new force in world markets

Ireland is going through a period of rapid change and no area more so than its food and drink industry. With an *abundance of grasslands* surrounded by the fish-rich waters of the Atlantic, Ireland is emerging as a serious international player in the food processing industry.

The importance of the sector to the economy can hardly be overstated. Food and drink accounts for 6 per cent of gross domestic product, 18 per cent of total exports and contributes a trade surplus of I£3.4bn. The *sector* employs almost 45,000 people.

Through the purchase of raw materials and services, food companies put about I£7bn back into the Irish economy – more than any other sector.

"It is estimated that 85p out of every pound of output is captured by the local economy because of the reliance on local raw materials," says Mr Michael Duffy, chief executive of An Bord Bia, the Irish Food Board.

The next few years will be critical. Reform of the Common Agricultural Policy will put an end to artificially high farmgate prices for primary produce as market support mechanisms are withdrawn.

Irish officials believe that reform will entail a reduction of European Union prices compensated for by *direct income payments to* farmers that are linked less to production than to issues of the environment.

The other important change will be the accession to membership of the EU of *the former communist countries* of east and central Europe, all of whom have large agricultural bases and will provide new markets *but* also represent a potential drain on already scarce European support funds for agriculture.

The EU's own priorities have changed. "Twenty years ago there were 12m *farmers* and 9m unemployed. Now there are 9m farmers and 20m unemployed," says Mr Pat O'Neill, managing director of Avonmore Foods, one of the best known dairy companies, which has diver*sified into cheese production* and food ingredients in the UK and the US, and also Hungary.

A radical shake up of farm policy seems inevitable. But in a speech last month, Mr Jim Beecher, under secretary at the Ministry of Agriculture, warned that Ireland would not accept "any diminution in the effective support for Irish agriculture which would deprive our *rural communities of a fair* standard of living".

Today Ireland's 130,000 farmers rely on grants and other official support for more than 40 per cent of farm incomes. As Mr Philip Lynch, chairman of the Irish Food Board, puts it: "The worst thing that can happen to a farmer is that the postman doesn't arrive."

The decline of farming, however, is having profound *effects on rural life*, with what is sometimes evocatively known as "the flight from the country".

"Gaelic Football's Sam Maguire Cup hasn't crossed the Shannon in over 30 years," says Avonmore's Mr O'Neill, in an illustration of the extent of rural depopulation of the west of Ireland.

As farmers leave the land, the focus of the food industry has shifted from a reliance on primary produce to an emphasis on greater value added production.

Under the outgoing government's five-year food sub-programme, I£641m is being invested in order to increase output by one third, and exports by almost two thirds to I£7bn by the year 1999. Of that amount, an increasing share will be taken up with *consumer foods products*, which will grow from about I£350m in 1994 to I£800m by 1999.

Irish producers are nevertheless still suffering from two inherent constraints on business – *distance from* their markets, which makes transportation a much larger proportion of the cost, and the industry's lack of scale.

The question of high transportation costs clearly *encourages high value, high* margin, small bulk products such as food ingredients, which are described by one official as "the white knight of the sector".

As for the issue of scale, the recent merger of Guinness and Grand Metropolitan is a reminder that Ireland's total food industry output is equivalent to the sales of GrandMet alone.

In some sectors, this is being addressed. In the *dairy* industry, where the imposition of milk quotas has put a cap on the total amount of milk produced in Ireland, companies have been forced to consider mergers or moves into new markets to achieve additional growth.

Some of these trends seem likely to accelerate with the advent of the large multinationals in food retailing. Tesco's I£630m investment in taking over the Associated British Food interests in Ireland – north and south – will present a formidable challenge to existing retailers but could also represent a great opportunity to Irish producers who already supply the UK stores group with more than I£500m worth of Irish produce.

In some respects, all these achievements have been overshadowed by the gloom surrounding the beef sector in the wake of the BSE crisis in the UK, which had a direct effect on Irish beef sales.

Mr Ivan Yates, the agriculture minister was in Cairo earlier this month, persuading Egyptians of the qualities of Irish beef, in a bid to get the import ban lifted.

It was a successful trip, but some believe the government's preoccupation with live cattle shipments reflects the wrong priorities.

"If the minister showed as much enthusiasm for promoting the consumer foods industry as he does in securing the sale of 100,000 cattle to the Middle East, we would all be a lot better off. But then we are in an election year and this is a political issue," says Mr Ciaran Fitzgerald, food economist with the Irish Businessmen's and Employers' Confederation.

The BSE crisis has had a negative impact on the sector, with total food exports down from I£4.8bn in 1995 to I£4.5bn last year.

But some officials believe the crisis may inadvertently provide a necessary catalyst for change, which could be hugely beneficial, in forcing the industry to review its standards.

The introduction of new EU product labelling rules, which become compulsory from the year 2000 will help to secure the link between processor and producer. The setting up of a food safety authority, independent of the government, is being mooted.

The issue of quality assurance together with questions of animal welfare and the effect of agri-business on the environment are likely to be the key consumer issues over the next few years.

The real challenge for the industry will be how to cope with European Monetary Union. With Ireland set to enter the first phase of the single currency, its domestic food companies, particularly those which have not diversified overseas, could be badly exposed if, as seems *likely* the UK, stays out of the single market.

Prepared consumer foods, exactly the sector the government is trying to push, are uniquely vulnerable to a competitive devaluation by sterling, which would make Irish exports more expensive and give UK products a competitive edge in the Irish market.

It would also make life difficult for Irish companies in third markets where they compete with their counterpart *British food companies*. Particularly at risk are the biscuit and processed meats producers.

Thus for most in the food industry, and indeed across the economy as a whole, the one question which *everyone* wants answered, is at what rate Ireland will enter a single currency.

RETAILING • by John Murray Brown

Purchases bring change to the industry

The Guinness-GrandMet link is one of several that have drawn attention to this sector

News of Guinness's merger with Grand Metropolitan earlier this month had Dublin food analysts reaching for their calculators. What would this mean for Irish malt prices – with Guinness Ireland accounting for 40 per cent of Ireland's malt acreage? Would Baileys, which is part of the Grand Met group, continue to buy 40m gallons of Irish milk for its cream liqueur?

The formation of the world's biggest drinks group has obvious implications for Ireland but was just one of a number of developments over the past 12 months that has put the food sector in the public eye.

Earlier, in another example of foreign encroachment into the Irish food industry, Unilever, the UK-Dutch conglomerate, unsettled some big Irish institutions by refusing to increase its bid for the remaining shares in Lyons Tea.

Lyons was an attractive catch, accounting for 50 per cent of supply in a country which has the highest per capita tea consumption in the world – a market worth I£50m a year. Lyons' operating margins were 10 times those of Nestlé, Kellogg Ireland and W&R Jacobs, the biscuit maker.

Unilever had acquired 75 per cent of the company as part of its takeover of Allied Domecq. The Competition Authority approved the deal, but only on the understanding that Unilever withdrew its Lipton brands from the Irish market – this after a costly marketing campaign to increase the brand's profile.

Under takeover rules it was required to make an offer for the remaining shares. However, shareholders heeded the advice of the Lyons board in rejecting Unilever's offer, which was the same as that paid to Allied Domecq. The Lyons board believed Unilever should have paid a premium to the minority shareholders. Unilever has management control of the company but with an uncomfortable shareholder rump holding out for more cash.

Perhaps the most dramatic news of the year was Tesco's announcement of a deal to buy out Associated Foods' operations in Ireland, north and south. Although ABF was already a British company, and Tesco is run by an Irishman, the deal triggered a kneejerk reaction from opposition politicians and local retailers, worrying about jobs and the impact of this English import on the Irish high street.

The deal valued ABF's Quinnsworth and Super Value chain (with Stewarts in Northern Ireland) at I£650m. ABF's operations in the two parts of the island had been treated as separate companies, using separate suppliers, distribution and pricing. Analysts believe that with the arrival of Tesco Ireland is moving towards all-island retailing.

Irish retailing is certainly ripe for picking. The Irish market is worth about I£4.2bn. With the economy growing at 5 per cent a year over the next decade, consumer spending is set to increase. The demographics are also encouraging, with more than half the 3.5m population under the age of 30.

Retail infrastructure is relatively underdeveloped. Bar coding is far from universal, although many of the local groups are investing to catch up.

Ireland has a low level of own-label penetration, with 4 per cent of products carrying a supermarket's own branding, compared with 37 per cent in the UK and 16 per cent in France. Any new arrival will have plenty of opportunity to undercut the Irish market, with average prices about 60 per cent higher for some food items than in the UK, according to Goodbody, the Dublin stockbroker.

Tesco's acquisition will give it 26 per cent of the Irish market and about 38 per cent of grocery sales in Northern Ireland. The challenge for Tesco – and other multiples, Irish or foreign owned – is how to grab a share of the independent retailers' market which in Ireland still account for 20 per cent of sales.

The impact of Tesco on existing suppliers is also critical. Tesco buys about I£500m of produce from companies, north and south, for its UK distribution. Some local analysts are sceptical of Tesco's claims that it will increase its sourcing to Irish companies.

Ms Mary Brophy, editor of Dublin's Check Out Magazine says: "If Tesco is already satisfied with the company which is supplying it with private label jam, why would it seek to replace it with an Irish company?"

If Tesco operates anything like Marks and Spencer it will continue to use its UK distribution centres to supply its 75 stores in the Irish Republic and another 35 in Northern Ireland.

The first real decision for Tesco is whether to re-brand the stores, which will affect the success of its own-label products, which account for 50 per cent of its shelf space in its UK stores. Mr Terry Leahy, Tesco's chief executive, was giving nothing away at his press conference to announce the deal. When questioned on these issues he responded: "Its too early to say."

SEAFOOD • by John Murray Brown

Innovation helps win export sales

Entrepreneurs are profiting from Europe's growing taste for Irish crustaceans

Mr John Murphy started out diving for sea urchins in Bantry Bay. He put the money he made into a clothes shop. Today he has a boutique in Cork and one in Dublin's fashionable South Anne Street. His seafood business is still thriving. "They're both high risk," he says.

Mr Murphy is one of a number of entrepreneurs engaged in aquaculture along Ireland's extensive coastline, servicing multiples in the UK and increasingly on continental Europe, where there is a growing taste for Ireland's Atlantic spawned shellfish and crustaceans.

The Irish Sea Fisheries Board estimates that Ireland sells more than 40,000 tonnes of fish and shellfish to France, its leading export market, worth about I£50m last year.

Mr Murphy says: "We sell mussels to France and also to Spain, where they're an ingredient in paella. We provide chilled sauces for Sainsbury and we're busy negotiating a deal with Marks and Spencer."

His company, Fastnet Mussels, ships about 1,000 tonnes of farmed mussels to the continental Europe every year, transported in refrigerated lorries. Instead of harvesting the wild mussels which lie on the rocks on the seabed, Fastnet has developed a way of growing mussels on ropes suspended in water, a technique originating in New Zealand. "You won't get any grit in ours," he says.

The mussels are frozen in their shells, sealing in the juices in a technique which captures the freshness. Mr Murphy, a 42-year old Corkman, has ambitions to turn the aristocratic oyster into a fast food, replicating the process used for mussels. The process involves freezing it in its half-shell, which will allow the oyster to be ready-opened while retaining its freshness.

The procedure starts with the oysters being harvested and purified in ultraviolet-treated seawater. They can then either be blanched or processed raw. The oysters are drained of seawater and blast frozen at -28 degrees. The company says that when the oysters are unfrozen they are barely distinguishable from newly-opened animals eaten live.

In addition to farming much of the product, Mr Murphy has about 60 pickers on his books who supply seafood products and are paid by the pound. Walk along any beach, even in the remotest part of Ireland, and you are likely to find a man with a bucket or a bag scouring the rocks at low tide to collect mussels and periwinkles.

Meeting new demands: farmers haul mussels out of Bantry Bay

The area in west Cork is fast becoming the shellfish capital for Ireland, with the neighbouring Bantry Bay Mussels this year winning a top exporting award from the Allied Irish Banks. Bantry Bay, which pioneered the cultivation of mussels in the area in the early 1980s, has a capacity of 5,000 tonnes a year, well over half of Ireland's mussel output.

Bantry Bay has developed a vacuum-packed product in an attempt to meet the demands of French and Italian consumers for mussels. The company has patented the process and licensed it to other mussel producers in Ireland.

From a turnover of I£415,000 in 1991, the company achieved sales of I£5.3m in the year to last July. It employs up to 100 people in the busy summer season. The vacuum packing system allows it to meet its customers' needs, even out of season when heavy seas make it difficult to harvest the crop.

Mr Pete Sayers, of AIB said Bantry Bay had found the "only real approach to marketing is to go directly to the market place, visit potential customers and show their products at all the major trade fairs".

The availability of seafood products is perhaps even greater in the west of Ireland. Mr Gerry O'Halloran, a marine biologist, set up Ocean Shells in 1983 after recognising the gap in the market for high quality fresh and frozen shellfish.

Connemara Seafoods, based in Westport, farms oysters and crustaceans such as clams. It processes about 4,000 tonnes a year and employs 22 people. It has about 350 suppliers from Clare to North Donegal.

Oysters are grown in bags in a holding area in the river mouth so that at low tide the company can gain access to the bags using tractors, without the need for boats. Lobsters tend to be harvested more intensively in the colder winter months, when the problems of transporting fresh produce are less pressing.

Mr Andy Mulloy, who runs the company with his brother and sister, says demand peaks around Christmas, but the system of tanks allows the company to meet seasonal demand.

The company sells to continental Europe and the Far East. It has moved to a custom-built shellfish handling and packaging plant at Kilmeena to meet growing demand.

RESEARCH AND DEVELOPMENT • by Kieran Cooke

Fuel injection for the farming sector

An agriculture and food body is helping the industry become more competitive

Dr Liam Downey talks about grass with the enthusiasm a wine connoisseur gives to a cherished vintage.

"Grass is the purest form of food for livestock," says Dr Downey. "It is also the cheapest. Ireland has an abundance of grass. It is our greatest asset."

Agriculture is central to Ireland's economy. Agriculture and food exports make up about 18 per cent of the value of total exports. Though the number of people employed in agriculture has fallen in recent years, about 11 per cent of the workforce still depends on the sector. That compares with 2 per cent in the UK, 3 per cent in Germany and 5 per cent in France.

Dr Downey is director of Teagasc, Ireland's agriculture and food development authority. Teagasc (the word is an old Gaelic term meaning "instruction") aims to increase Ireland's competitiveness in the agriculture sector while ensuring safety of food products and sustainability of production.

"Agriculture in Ireland is largely dependent on livestock," says Dr Downey. "By a considerble margin grass is the cheapest form of food for livestock. New Zealand is the only other country apart from Ireland to be so grass dependent."

However, while grass-based feeding gives Irish milk and beef a big price advantage, Dr Downey says it also creates problems. A farmer in the Netherlands or Denmark, for instance, might keep cattle in sheds for a large part of the year, feeding them mainly on food concentrates. Although this is a more expensive feeding method than grass, such a process ensures a relatively even level of milk production throughout the year.

Grass-based feeding results in a more uneven milk production cycle, with far more milk being produced in the summer months when the grass is at its most abundant. Coping with this seasonality in milk and beef production is a vital part of Teagasc's work.

Farmers and food processors are given advice on the use of technology. Storage and marketing techniques are constantly being revised. "If you go into a pub and order a pint of a particular brand you expect more or less the same drink no matter where you are," says Dr Downey.

"Through years of research and application we have more or less achieved consistency of quality in our milk products, despite the seasonality of output. The days are gone when our butter would taste different, depending on the time of year."

The big challenge now is to ensure the same consistency of quality in beef products, while remaining competitive on pricing and, most important of all, ensuring safety.

"Whatever else the BSE crisis has done it has brought food safety to the top of the agenda," says Dr Downey. He says that although Irish beef is generally considered to be a good, wholesome and safe product, quality can also be inconsistent.

"What has been achieved on butter we want to now replicate on beef. It means research into all sorts of areas: the way cattle are fed, the manner of slaughter, the hanging of the meat, the packaging and other factors."

Teagasc is now undertaking a comprehensive study of the beef production chain to ascertain which are the main determinants of quality. The organisation also has several other functions, all designed to improve the productivity and quality standards of Ireland's food sector.

"Up to 15 years ago not much attention was paid to encouraging farming skills," says Dr Downey. "Now all that has changed. Of the 1,700 young people who enter farming every year, more than 90 per cent have a three-year vocational training qualification – a certificate in farming.

"A new generation is learning about more efficient farming which is another important factor in retaining Ireland's competitiveness in the agriculture sector. That upgrading of skills is one of our greatest achievements."

Despite the numbers going into farming each year, there is still a gradual drift away from the land. Through various farm viability services and development programmes Teagasc gives advice to more than 25,000 small-scale farms each year.

Within the agriculture sector, there is an increasing awareness of environmental issues. Dr Downey says that an added factor in Ireland's competitiveness is its reputation for producing food which is relatively pure.

However, he is aware that standards have to be constantly monitored and improved upon. "Irish food has a good, green image but ... we want to make sure that the image always corresponds with reality."

MARKETING • by John Murray Brown

Efforts focus on the consumer

Producers are shifting emphasis from commodity products to prepared foods

A fishy smell recently lingered in the air at An Bord Bia, the Irish Food Board – the remnants, it was explained, of a successful trade launch at the headquarters of the organisation that is spearheading Ireland's drive to open up world markets.

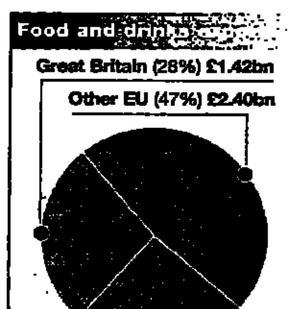
With its grass-fed livestock, and its Atlantic fishery, Ireland has an enviable supply of raw materials to support a successful food industry.

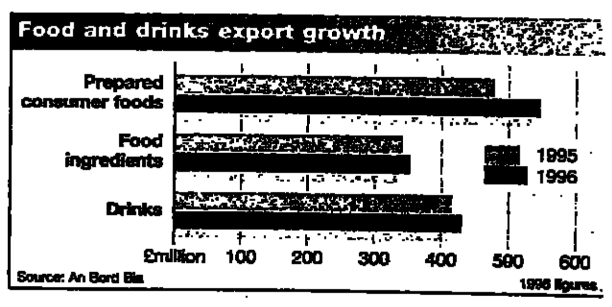
However, in a country with a small domestic consumption where 80 per cent of output is destined for export, the challenge has often been one of marketing.

"Internationally, at the trade level there is an awareness of Irish food, but not among consumers," says Mr Michael Duffy, chief executive of An Bord Bia, which has a budget of I£20m to promote Irish products.

Some in the industry once believed that the breakthrough would only come if Irish companies could establish world-beating brands. In the 1960s, the Irish Dairy Board developed Kerrygold as successful butter brand – Mr Tony O'Reilly, now head of Heinz, the US foods group, claims credit for the move.

It was thought the experience of Kerrygold could be replicated across the board. But today there are few internationally recognised Irish brands outside the drinks sector – a special case.





The advent of own label branding has changed all that. In the UK, the destination of some 40 per cent of Ireland's food exports, the multiples' own label brands currently account for 30 per cent of retail food sales.

To maximise value, Irish producers are now seeking to move towards more value added production, with the emphasis shifting from commodity products to prepared consumer foods and ingredients.

Several of the food multinationals are making strides forward from their bases in Ireland.

Earlier this month, Heinz announced plans to create 200 jobs in a I£20m investment in its Dundalk Custom Foods factory, making frozen ready meals under the Weight Watcher brand in the UK and Irish markets.

The factory already produces pizza crusts, Bagel Bites and branded topped pizzas, including something called a Heinz Baked Bean Pizza which was launched in the UK in October last year.

But Heinz is a huge company with annual sales of $9bn, and a marketing budget to match. Irish companies have to be content with far less expansive ambitions.

"Ireland is a major producer of surplus flour, surplus meat, surplus sugar and surplus milk. It would seem a natural place to make pizzas, but trying to sell an Irish-made pizza in France, is not easy," says Mr Ciaran Fitzgerald, food economist at the Irish Businessman and Employers Confederation.

A few years ago, An Bord Bia went on a big drive to encourage the production of vacuum-packed beef to meet consumer demand for fresh produce, and add value to what is to a large extent still a commodity, unlike pork and poultry.

Today the broad thrust of policy has been to maximise the amount of processing done in Ireland. Mr Beecher believes that as long as milk quotas remain in place, there will always be some form of local manufacturing.

But trends change. Currently, a number of Irish companies have invested in cutting facilities in France close to the retail outlets for their beef.

In the wake of the outbreak of bovine spongiform encephalopathy in the UK, and the E-Coli incidents in Scotland, Ireland's beef and dairy industry has taken a considerable hit.

But the BSE crisis has also brought to the fore the whole question of food quality and food safety, which, together with environmental and animal welfare issues, are likely to be increasingly important consumer pressures on food producers over the next few years.

Under European Union rules, to be introduced from the year 2000, there will be compulsory labelling laws that are based on traceability in an effort to offer the consumer the assurance that the product is safe.

"BSE will change the face of the beef industry for ever," says Jim Beecher, under secretary at the Irish Ministry of Agriculture. "In the future there will be a lot of linkage between producer and processor. It often takes a disaster like this to force through necessary changes."

Ireland believes that, as a small country with a green image across a range of products, it is well positioned. Under its latest five-year I£640m investment programme for the foods sector, the ministry envisages that exports will increase from I£4.5bn to I£7bn a year over the period 1994-99.

It is often said that every fourth steak eaten in the UK is likely to be from an Irish cow. Irish dairy groups sell large volumes of product into UK multiples under their own label.

In 1996, in spite of unfavourable exchange rates against the UK, Ireland increased its exports of prepared foods by 15 per cent to I£103m.

Heinz has shown the way, but Green Isle, which is now owned by Northern Foods, has established itself as a frozen pizza operation. Bord Bia's Mr Duffy points to the encouraging number of new business start ups in the food sector.

One such operation is Potato Cuisine, which prepares the humble potato for caterers and the delicatessen market – a real measure of how far the Irish food sector has come.

CO-OPERATIVES • by John Murray Brown

Review of structures called for

A milk price squeeze and the need for re-equipment drive a shake-out

Farming folk are notoriously wary of change. So when Mr Denis Brosnan, managing director of Kerry Foods announced to a gathering of more than 2,000 cloth-capped farmers that its co-operative would no longer have the controlling stake in the public company he might have expected a more sceptical reaction.

That the proposed stock conversion – which allows the farmers' holding to be reduced from 52 per cent to as low as 20 per cent – was carried by the meeting is a measure not just of Mr Brosnan's skills as a negotiator but of the changing times in the dairy business, Ireland's biggest foods sector, worth nearly I£2bn a year.

Politicians, businessmen and farmers agree that the case for some form of shakeout in the industry is overwhelming. Mr Liam Igoe, foods analyst at Goodbody stockbrokers, says the combination of the squeeze on milk prices and the need to spend money on upgrading processing equipment installed in the 1970s provides ample reason for dairy companies to seek to consolidate their activities.

Kerry's move was followed by IAWS, the feeds and fertiliser company – although many analysts say it might be hard to repeat Mr Brosnan's achievement more widely in the industry, given the need to win backing from 75 per cent of the co-op members at two consecutive meetings.

In the mid-1980s, when the co-ops decided to float shares, they were motivated by the issue of scale. Ireland has about 40 processors chasing a milk pool of 1bn gallons a year. In Denmark one company handles 800m gallons and accounts for 70 per cent of production. In the Netherlands it is the same story, with the average processor taking in more than 500m gallons a year.

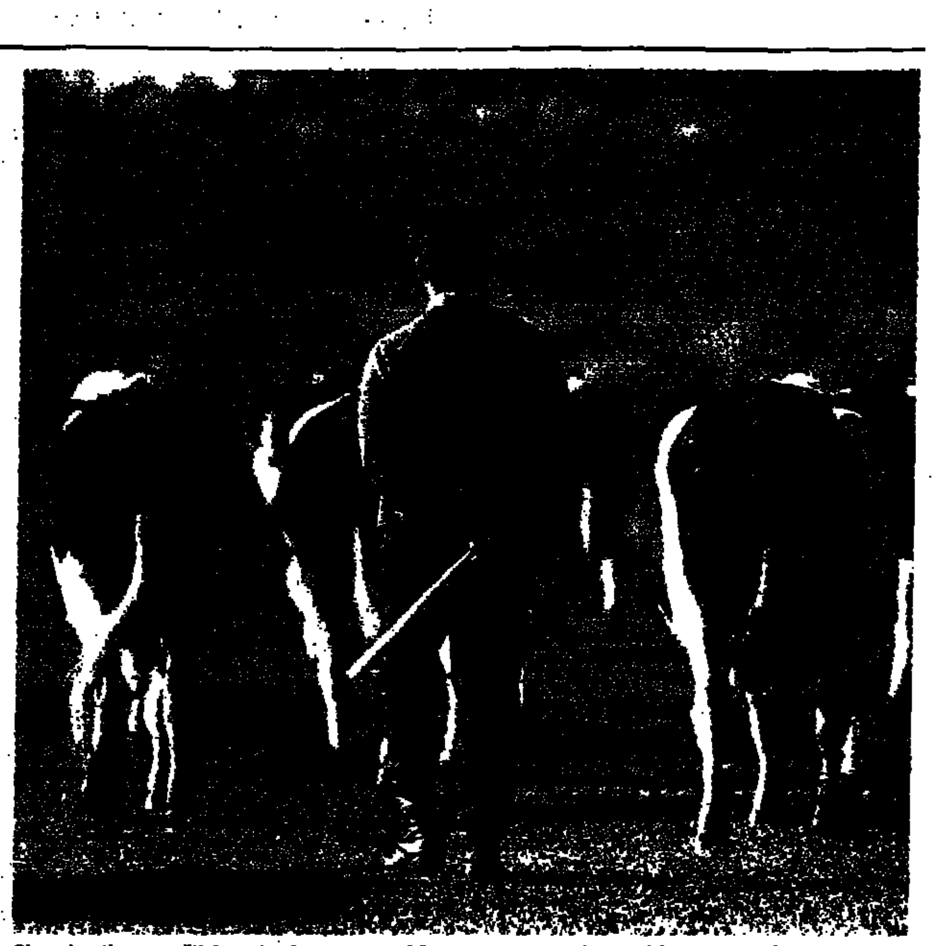
But it was also a question of access to cheaper funding. "We would never have been able to expand unless we had had the equity," says Mr Jim Moloney, chairman of IAWS and a former head of the Irish Co-operative Societies Organisation.

There was also a defensive element in the strategy. Mr Larry Goodman, Ireland's main beef processor – who in 1992 was the subject of a government investigation into irregularities in the beef industry – was attracted by the healthy margins in the dairy sector. According to one of Mr Goodman's advisers many of the co-ops were "stampeded" into seeking floats to fend off Mr Goodman.

But it was the change in the European milk regime that was the crucial factor. In the mid-1980s, after a decade of ever rising milk prices on the back of support from the European Union, the introduction of quotas put a ceiling on milk production, forcing companies to look elsewhere for growth – either to overseas acquisitions or diversification.

Irish dairy companies have spent more than I£1bn in acquisitions in the past decade. They have taken a leading role in the world food ingredients sector, in the UK liquid milk market, in UK cheese production and in the savoury meats market in the UK and Ireland.

The issue of consolidation is yet to be addressed. Many analysts believe the underlying tension between institutions in Dublin and the co-ops has made change inevitable. "You can either have lots of profits or a big milk price. You cannot have both," says a non-executive director at one of the main dairies.



Changing times: politicians, businessmen and farmers agree on the need for restructuring *Crispin Rodwell*

Mr Pat O'Neill, managing director of Avonmore, says the structure of Irish co-ops is little different from that of big UK public companies with a dominant shareholder. "We don't behave any differently from a company like Associated Foods, where there is a major shareholder such as the Weston family."

Nonetheless, in the past year, the rival claims of farmers and shareholders have triggered a number of ugly public rows, which according to one senior executive "let the side down and drew attention to our potential problems".

For six months last year Golden Vale, the Cork based dairy company, was without a chief executive after a boardroom row over the company's handling of an EU fine, imposed after the company exceeded its milk quota. The first that any of the analysts knew of the problem was when Mr Ivan Yates, the minister of agriculture, revealed details of the fine in the Dail, the Irish parliament. The company had earlier irked analysts by announcing a profits warning on the night of the Ireland-Italy World Cup football match.

Earlier this year Waterford caused some dismay when it gave a profits warning just days before its final results were due – and three months after the year-end, when it gave no indication of trouble in analysts briefings. The company pointed to trading difficulties in its UK cheese and Irish milk business, but it later turned out there was a disagreement with the auditors over the treatment of various end of year balance sheet items.

The finance director was pressed to resign. Many institutions saw the episode, and the peremptory way in which the stock exchange was informed, as further evidence of the need for the dairy sector to get its house in order.

The longer-term choice is whether to grow by floating equity like Kerry, with the danger of diluting farmer control, or gain financial firepower by seeking mergers with other co-ops.

Avonmore Foods appears intent on seeking a merger, although its current approach to Waterford Foods seems to be on the rocks.

Mr Jim Beecher, under secretary at the Irish Ministry of Agriculture, believes that while the system of EU quotas remains in place, Ireland can be confident that there will be an indigenous processing industry.

But Avonmore's Mr O'Neill believes it is important that Irish companies retain control of their operations, and fend off approaches from foreign-owned multinationals. "If we let Irish industry fall to foreigners, jobs would be impaired. We've had the takeovers of Jacobs, Irish Distillers and Carrolls," he says, referring to three Irish companies that have been bought out by foreign multinationals in recent years.

"As an island economy we have to be careful to have a stock of business which is secure," he adds.

THE STATE OF IRISH FOOD • by Giles MacDonogh

Prosperity starts to tickle the palate

There is hope the Irish will continue rummaging round their roots for interesting dishes

A trawl through the pages of Darina Allen's *Traditional Irish Cooking* (Gill & Macmillan I£19.99) reveals the variety of Irish cooking as it was, and as it should be: earthy.

Here are recipes for puffin, thrush, kid, all the unmentionable parts of a pig, goose pudding, drisheen (mutton pudding), crubeen (pigs' trotters), stuffed hearts, nettle soup, and a hundred and one different ways of cooking a spud.

Until a few years ago visitors to Ireland saw nothing of that, and they still see next to nothing of the down-to-earth Irish culinary heritage.

A generation ago, Ireland put on the mantle of blandness in its tourist hotels in the west, while in the more modest establishments to be found in provincial towns the very most you might have received was a juicy steak or a pork chop with apple sauce.

But something has happened to Ireland since then, and it gives one hope that the Irish will continue rummaging around in their roots to come up with some more interesting dishes – the new boom.

Prosperity has not only hit Dublin with its youthful "scene" around Temple Bar, but it has made its way out to the west too, so that a new gastronomic awareness has taken over in places such as Cork and Galway City.

Of course, it is most noticeable in the capital. In the past few years there has been a renaissance of Dublin's hotels. The Shelbourne has been refitted and the Clarence transformed from a haven of quiet provincialism to the cynosure of Temple Bar.

The Merrion is due to open in July in four converted Georgian houses opposite the main government offices and is bound to attract custom from visiting diplomats. It will also rehouse Dublin's top rated restaurant, Patrick Guilbaud.

Dublin's other five-star hotel, the Berkeley Court in Ballsbridge, is preparing for a refit under Mr Tom O'Connell, its new general manager.

A largely young population fills the city's restaurants. The model is London. "Modern cooking" has displaced the priests and cattle-dealers at the Tea Room at the Clarence, where chef Michael Martin prepares dishes which have their origins in the teachings of London three-star chefs Pierre Koffmann and Nico Ladenis.

> Change may also affect the conservative style of country house hotels

Kevin Thornton (of Thorntons) has unseated a number of traditional favourite restaurants with his cooking at his canal-side restaurant. Conrad Gallagher's baroque creations at Peacock Alley excite a mixture of ribaldry and admiration, while Colin O'Daly manages to keep up with the pack at Roly's Bistro.

Even more encouraging have been the signs that the Irish countryside is becoming more aware of good food. A craft shop such as Avoca Weavers in Kilmacanogue near Bray not only serves up-market food, but also has the food corner where locals can buy "designer" olive oils, imported chocolates and flavoured bread loaves.

In Galway City Sean Loughnane has abandoned his cluttered butcher's shop in the port and adapted his style to suit the more Continental tastes of his customers.

There is a chance, too, that the change will start to affect the conservative style of Ireland's country house hotels. Mount Juliet, near Thomastown in Kilkenny is one of the grandest of them all, but its kitchens used to expound an American idea of country house cooking which saw nothing finer than settling half a fruit salad on top of a fillet steak.

The new management has put paid to all that, and it is to be hoped that a new broom will sweep away the rest of the twee ideas which have hung around from the '70s and '80s.

It is not, however, all sweetness and light. Some formerly good things have degenerated. Irish farmhouse cheeses were an unwitting creation of the European Union and its milk quotas. Suddenly Ireland had more milk than it knew what to do with. Adventurous cheese makers took up the surplus and made it into a succession of Continental-style cheeses.

In the '80s cheeses such as Milleens, Gubbeen and Cashel Blue were sensational additions to the cheese board. My recent encounters with them, however, have been disappointing. They were displaying all the drawbacks of overproduction and pasteurisation – the latter possibly a case of the EU stepping in to squash its own creation.

There is, it is true, a new awareness of certain traditional products: dwarf lamb from the Connemara coast, Irish native oysters, Clonakilty black and white puddings, or even a good, well-presented breakfast fry.

But the real moment for rejoicing will come when Ireland admits its real flavour, and takes it one step further, from the page to the plate.

Eagle Eye · Louise Kehoe

Bugged by beta

Pre-release versions of software are not in the best interests of consumers, so leave the test-driving to the academics

Personal computer software seems to be infested with bugs. Over just the past couple of weeks we have learned of bugs in Microsoft's internet browser and Sun's Java programming language. To judge by the headlines on internet news sites, it would seem that the software industry is no longer capable of making bug-free products.

In part, the problem lies in the complexity of today's PC software. The more sophisticated a program, and the more extensive its features, the more chance of bugs creeping in.

Yet it is the manner in which new software is being brought to market that is exacerbating the problem. Rather than fully testing new programs, developers offer free "beta" or "pre-release" versions to be tested in the marketplace.

Competition, rather than any desire to serve customers well, is driving the fast release of new software. It is more important, software developers seem to think, to launch a new program ahead of rivals than to ensure that it is bug-free. After all, a fix can always be posted on the Web.

Corporate computer managers are already voting with their feet by avoiding beta software, and consumers should do the same. It is hardly an advantage to have early access to new software if it does not perform properly. Leave it to the academics and hackers to test-drive new software, and send the software industry a message that enough is enough.

And as for all that free software – you get what you pay for.

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Talking of competition, it seems that the antitrust division of the US Justice Department is taking a close interest in Microsoft's planned $425m (£260m) acquisition of WebTV Networks, a developer of technology that enables internet access via a TV set-top-box. The agency has gone beyond its routine examination with a so-called second request for information.

Microsoft critics have long argued that the company's dominant role in the PC software market impedes competition. In this instance, however, Microsoft is one of several companies trying to stake a claim in the potentially huge market for digital appliances that bring interactive multimedia services to the home.

Notably, Oracle, the second-largest software company, said on Monday it plans to buy a majority stake in Navio Communications, a Netscape spin-off. Indeed, Larry Ellison, Oracle chairman, has identified Microsoft as the only "serious competitor" in this field, summarily dismissing such hopefuls as Diba, Planetware and Infogear.

Ellison says the "difference between Microsoft and mankind" is that Microsoft imposes proprietary software on society, whereas Oracle and its cohorts stick to open standards. However, standards have yet to be defined for digital appliances.

If the Justice Department intervenes in Microsoft's acquisition of WebTV, it may be handing Ellison a victory. Surely it would be better to leave the world's two biggest software companies to fight it out rather than disqualifying Microsoft on the grounds of its success in PC software.

It is more important, software developers seem to think, to launch a program before rivals than to ensure that it is bug-free

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I have a new theory on why electronic mail is so popular in the computer industry. Have you ever noticed the "snail mail" street addresses these companies are lumbered with? Unisys's headquarters in Blue Bell, Pennsylvania, is on Jolly Road. It's a pity the company's financial struggles have provided few occasions for merriment.

Then there is EDS, formerly Electronic Data Systems, on Legacy Drive in Plano, Texas. The street name serves as a daily reminder of the stodgy past that EDS is trying to shed following its spin-off from General Motors.

In a similar vein, International Business Machines would surely like to spice up its image with a change of address. IBM's world headquarters is on Old Orchard Road, in Armonk, New York. Wouldn't Big Blue Drive have a better ring?

Many companies do create their own addresses. Thus we have Microsoft on Microsoft Way in Redmond, Washington; while Oracle used to be on Marine World Parkway in Redwood Shores, California, but the company's facilities became so dominant that its driveway became Oracle Parkway. Perhaps the most curious is Apple Computer's research and development centre, on Infinite Loop, in Sunnyvale, California.

An infinite loop is a glitch in a program that sets a computer going round in endless circles. When Apple named the street it was a self-deprecating joke. These days it is not so funny.

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Do not dismiss digital cameras. To date, interest in filmless photography has been limited – except in Japan, where it was eagerly greeted as the latest thing in consumer electronics – to PC aficionados who want to display their pictures on Web pages.

But digital photography is set to enter the mainstream, with cameras priced for family use. By Christmas, digital cameras selling for between $200 (£122) and $500 may begin to compete with traditional 35mm cameras according to Wilf Corrigan, chairman of LSI Logic, a Silicon Valley chipmaker.

LSI has designed a single chip that incorporates almost all of the functions of a digital camera. The result will be cheaper, lighter cameras that produce crisper pictures faster.

Today, if you are using all but the most expensive digital cameras, you must wait several seconds between each shot while the camera processes the image. Moreover, the resulting pictures are noticeably fuzzier than those from a moderately priced traditional camera.

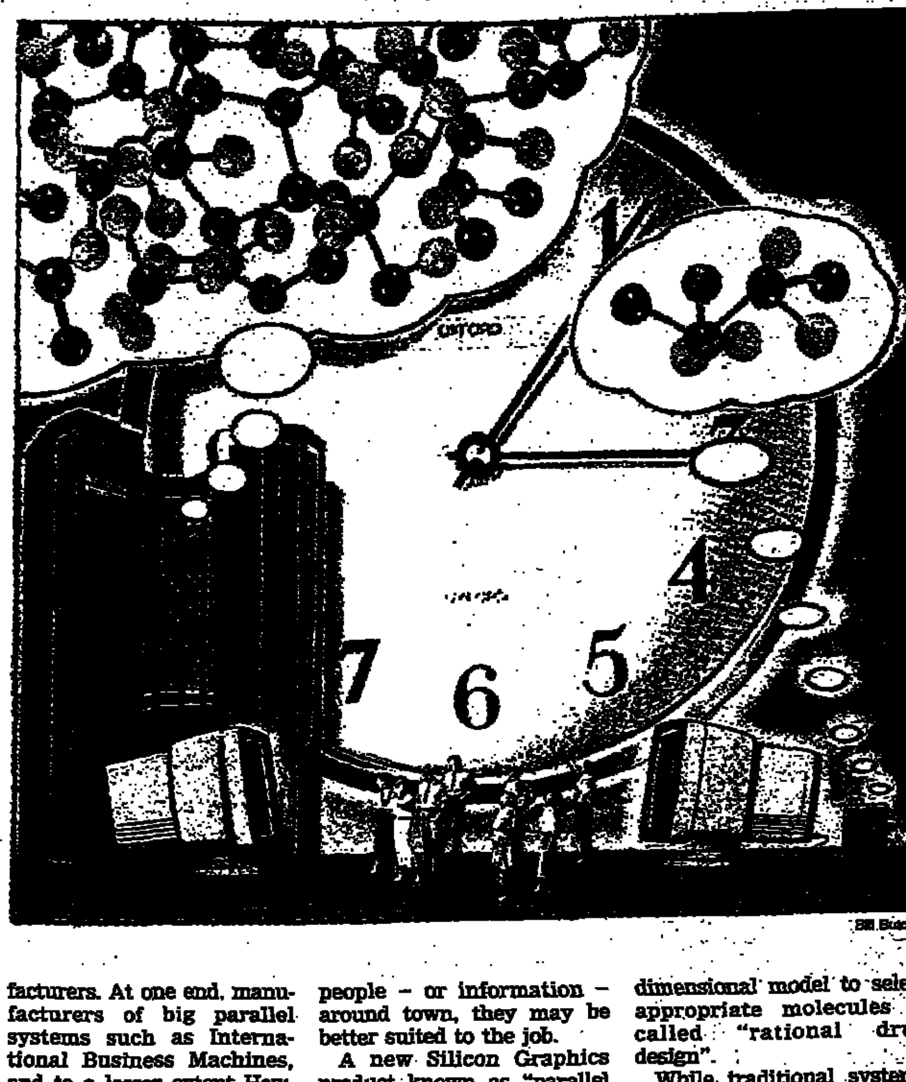
The next generation of digital cameras will produce "Polaroid-quality" pictures without the wait, says Corrigan, and 35mm-quality digital photos are not far off. The clincher, for those of us who manage perhaps half-a-dozen good shots from a 24-exposure film, is that processing costs will be eliminated. One summer's worth of photo processing would go a long way towards the cost of a digital camera.

Is competition good for software consumers? Share your opinion in the Eagle Eye discussion group on the FT website (www.FT.com), or contact Louise Kehoe by e-mail on louise@FT.com

Pharmaceutical supercomputers · Victoria Griffith

Mighty dose of power

Drugs researchers are being tempted by reduced costs



Bill Butcher

Once used mainly for ambitious government projects such as moon landings, supercomputers are creeping out of the public domain and into private-sector pharmaceutical laboratories.

Lower costs have boosted demand. Among the big US drugs companies, Bristol-Myers Squibb has one. So do Merck and Eli Lilly. They all plan to use the powerful machine, made by the Cray Research division of Silicon Graphics, to rev up their drug discovery efforts. The question is: will it work?

The answer depends on how closely computer programs can mimic nature. The true value of supercomputers in drug discovery, say users, lies in how well they can model molecules and predict what will happen in the laboratory. Sophisticated simulations require huge calculations, following complex mathematical equations, or algorithms. On traditional parallel systems – workstations backed up by a large server – this work would either take far too long or could not be done at all.

Supercomputers have gained fans in the pharmaceutical world in recent years. Bristol Myers says that jobs which its researchers once took four days to complete are now accomplished in just 12 hours by the company's Cray.

BioNumerik, a small pharmaceutical group specifically created to use a supercomputer, claims its total drug discovery time has been chopped dramatically.

"At other companies, it takes five-and-a-half years to do what we did in a year and a half," says Frederick Hausheer, chief executive officer of the group. According to Hausheer, BioNumerik has two anti-cancer drugs, discovered largely with the help of a Cray, in clinical trials, after just 18 months of effort.

Despite this enthusiasm, many researchers think using Crays to simulate nature is of dubious advantage. "We still don't understand nature well enough to imitate it very well on the computer," says Mark Schwartz, vice-president of accelerated discovery services for the medical software group Tripos. "Because our understanding is not that deep, simulations may not produce very realistic results."

These conflicting opinions have set the stage for a battle among computer manufacturers. At one end, manufacturers of big parallel systems such as International Business Machines, and to a lesser extent Hewlett-Packard, are trying to convince drug companies that a few hundred thousand dollars' worth of computer power will buy them all the capability they need. At the other end, Silicon Graphics, which has a foot in both the workstations and supercomputing camps, is promoting million-dollar Super Crays as state of the art for efficient research.

Computers have become a necessity in the pharmaceutical field in recent years. Scientists are looking at vast amounts of information which would be impossible to manage without their assistance. Pharmaceutical groups want to access the wealth of material now available on human genetics. They also need computers to help them search for certain features among the hundreds of millions of compounds now known, such as a molecule of a specific weight or shape. Without a computer, selecting good "leads" for drugs would be like looking for a needle in a haystack.

All this, however, can be readily handled by the workstation/server systems pharmaceuticals researchers already have in place. In fact, for data storage and searches, traditional systems may even have a leg-up on many Cray models.

The Cray is like a Ferrari. Traditional parallel systems, with their fleets of "Volkswagens", could never beat it in a race. But if the goal is simply transporting lots of people – or information – around town, they may be better suited to the job.

A new Silicon Graphics product known as "parallel Crays" will erase this advantage; however, there will still be a large cost differential. "Once that product is in use, it becomes a cost issue, because the Crays will be better for just about anything you want to do," says Michael Denisevich, assistant director of the research computing department at Scripps.

While the price of supercomputers has dropped dramatically in recent years, they are still more expensive that the traditional parallel systems. Some scientists believe the extra cost is worth it. Not only can the Crays simulate laboratory experiments, they can also build intricate models of molecules that scientists say help them visualise the problem at hand.

In drug discovery, researchers are often looking for a small molecule to fit into a certain spot on a protein. If the molecule is a good fit, it may cause a series of reactions that could cure a particular disease. The study of a three-dimensional model to select appropriate molecules is called "rational drug design".

While traditional systems can build rudimentary models, scientists say they are left in the dust by the powerful Crays. Not only do the traditional systems take far longer to do the same job, but they are incapable of creating the detail of the supercomputers. "It is a vision thing for the scientist – seeing is believing," says Wah Chiu, a professor at the Baylor College of Medicine. "I was just bowled over the first time I saw the detailed colour-coded information produced by a Cray."

Pharmaceutical companies that own both a Cray and traditional systems say they use them for different tasks. "If we want to model a small molecule, we can use our parallel systems," says Joe Villafonca, head of bioinformatics at Bristol Myers. "For larger molecules, we go with the Cray."

Just how popular the Crays will become in the drugs industry over the next few years remains to be seen. While anecdotal evidence indicates that the predictive power of supercomputers can be useful, many scientists remain sceptical.

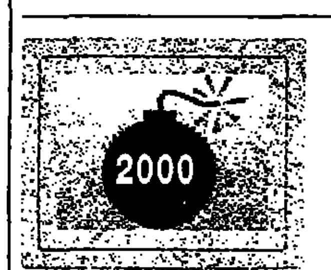
"I get the impression that companies are investing in a Cray because there is a chance they may prove incredibly useful," says Schwartz. "But they are not quite convinced yet, and until there is more evidence that the Crays can shorten the research time, they will probably stick mostly to the traditional systems."

Information Technology

● The FT's review of Information Technology appears on the first Wednesday of each month

PUBLIC NOTICES

Millennium Watch · Christopher Adams



Big group, huge task

BAT Industries faces an enormous challenge to monitor its every use of computers or chips

"The more you look, the bigger the project gets, the more you need to search. Everything which is run by computers in every one of our factories has to be looked at to see if they can cope with the date change."

So says Jim Bottome, head of information technology at BAT Industries, the tobacco and financial services group, sitting at a plain table in the centre of his office. Behind him, one wall is a mass of felt-tip scribble, evidence of a complex task.

BAT is taking the so-called millennium bomb seriously. It cannot afford to ignore the problem. For a multinational conglomerate with diverse interests, the effects of such a computer glitch could be catastrophic.

The millennium bug is a legacy from the early days of computing, when years were stored as two digits rather than four. Come the turn of the century, many machines will be unable to distinguish between 1900 and 2000 since both years are stored as 00.

Bottome is worried. The problem has already affected how BAT plans its tobacco leaf requirements and could cost the group millions of pounds in lost revenues if computer systems are not checked.

BAT's list of potential disasters is long. Factories might shut down if embedded chips deep within machines on the cigarette production lines fail to recognise what day of the week it is. New parts might be marked as obsolete and goods just arrived might be designated for disposal.

Staff could become stuck in lifts and the electricity might shut off. Transactions could go missing from accounting records, leaving the company unable to bill customers. Links with suppliers, distributors and banks could be affected too.

In the insurance division, policies with several years left to run could be archived, leaving the customer without cover. Where premiums are charged by direct debit, payments might stop. A life policy based on a customer's age calculating maturity from a date of birth might say payouts were overdue.

Bottome has set a deadline of autumn next year for all BAT's computer systems to be checked against the possibility of these nightmares occurring. The bill for this "search and destroy" exercise could run to £50m and would easily grow to double that if BAT were not already installing computer systems which store years as four digits.

More than half the sum set aside will pay consultants brought in to tackle the issue. "It is a similar problem to viruses attacking computer systems. The cost is putting a lot of management effort into ensuring all the data has not been corrupted," says Bottome.

He backs the use of consultants, in this case Ernst & Young and PA Consulting: "They bring good project management disciplines and knowledge of what other companies are doing."

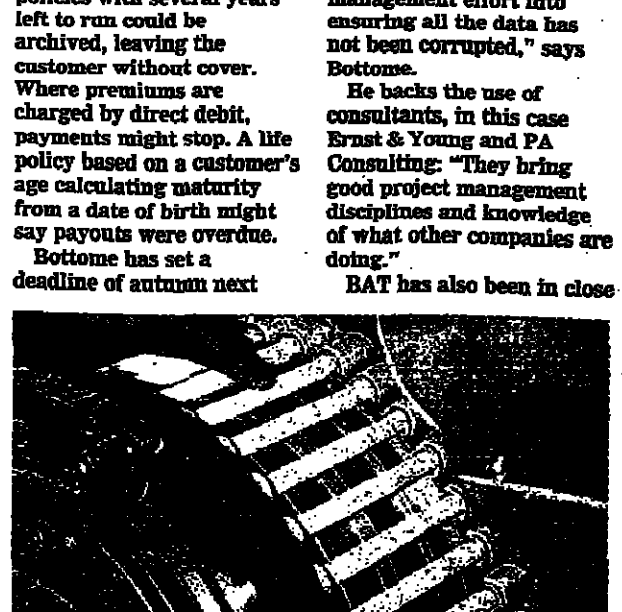
BAT has also been in close contact with Gartner, the research group which specialises in treating millennium bomb glitches.

Some of the work has been contracted out to TATA of India, where labour is cheaper but the workforce also highly skilled.

In addition, BAT is almost certain to follow the example of British Telecommunications by getting its lawyers to draft modified contracts for software suppliers. These would bind the suppliers to a pledge that all new systems were compliant.

It is also likely to take steps to ensure that the businesses it deals with, banks for example, will not suffer problems at the turn of the millennium. "If they can't guarantee to us they are going to be compliant by that date, we would have to consider our options based on who they are, what their service is and how much we rely on them."

But there are some measures he has yet to embrace. For example, he feels there is little point in suing software suppliers since their help in preventing disruption is more valuable. And while he has heard that some heads of information technology may advise senior executives not to fly on January 1 2000, he has not yet recommended that to his own bosses.



Filtering through: cigarette production lines are just one worry

Television/**Christopher Dunkley**

'Strip and strand' with Channel 5

As television choice increases, so does the viewer's difficulty in deciding what to watch; merely discovering what is on, and where, becomes problematic. One of the biggest puzzles facing the coming multifarious world of digital television is how to organise the electronic "TV Times" which will be vital to find your way around the system. So it was no surprise when Channel 5, the last of the terrestrials, opted for "stripping and stranding", which means showing an episode of the same programme every day at the same time, or similar sorts of programme – gardening on Monday, cookery on Tuesday, decorating on Wednesday – in the same slot. The advantage is that the viewer quickly learns what to expect on your network, but of course this is a two-edged weapon. Having found that she does not like your soap opera at 6.30 on a Monday, the viewer knows she can ignore that slot on every other weekday.

Presumably that is why it seems to have taken so little time for so many viewers to decide that there is nothing at any time worth watching on Channel 5. In five weeks the audience share has slid from 3.5 per cent to 2.3 per cent. BBC2 and Channel 4 each attract about five times as many viewers, and BBC1 and ITV each get 13 times as many. True, all network launches tend to be disastrous: Denis Tuohy with the kangaroos Hullabaloo and Custard brought us BBC2 in the dark, with only a candle to light the studio, and in the beginning BBC2's idea was for every night to be themed. That was scrapped pretty quickly. Since Channel 5's aim is for a modest five per cent share after 12 months, who is to say it is not on target?

Even if it does manage a slow accumulation of ratings, however, it is surely not going to win many plaudits with the present schedule. The received wisdom is that even if you don't like the tabloid nature of much of the programming, the news makes a nice change with its different tone, the *Jack Docherty* chat show at 11.00 every night is bright and lively, and there is a movie at nine o'clock every evening. Yet watching the Channel 5 news a few times shows that there is little to gain from having it read by a non-authority figure. *Jack Docherty* proves to be a mild English copy of the current American chat shows, a freezer pack version of a vindaloo. And those "movies" turn out to be mostly secondhand American television dramas, like tonight's *Night Owl*, tomorrow's *The Stranger Beside Me* and Friday's *Against Their Will*.

So is there really nothing worth watching on Channel 5? The best offering I have found has been *Ferry Tales*, a short documentary series about the French cross-Channel company which, even with state subsidies, is having trouble competing against the British and Scandinavian boats and the Channel Tunnel. Scarcely earth shattering stuff, the programmes have shown how costs these days are cut to the bone, staffs are slimmed to the minimum, speed is of the essence – with the ships docking, re-loading and leaving in astonishingly short times – and the British abroad (and aboard) are not a pretty sight. So what is new?

Among the new programmes on other networks is *Ruby*, a chat show chaired by Ruby Wax and screened at 11.15 pm on Mondays, Tuesdays and Wednesdays on BBC2. As with any such programme, this one will stand or fall on the quality of its guests, and so far it has looked pretty good. The comedians who talked about international aspects of their craft made an interesting bunch (though some of the clips selected to illustrate their work were dire) and the discussion on drugs between Marianne Faithfull, Will Self and Lucinda Lambton was tantalisingly promising. Unfortunately when a hammer and tongs spat between Faithfull and Self (both famed drug users) on one side, and on the other Lambton (deeply opposed) seemed imminent, Wax blew it and you wondered whether she is really the best person for this job. Someone less determined to get her own oar in, and more sensitive to undercurrents, might be better.

Wokenwell is, believe it or not, yet another police drama series from ITV. This one looks as though Hammer Films was asked to cross *Heartbeat* with *Clochemerle*. In a small town where everyone's business is known to everyone else, red-haired barmaid Cheryl is carrying on with her ex-husband while preparing for her marriage to Ted the butcher. The opening episode reached its climax with the police using a wooden model of a butcher as a battering ram to smash their way into the butcher's shop where Ted was holding Cheryl over the butcher's block, cleaver poised to chop off her hand. You know, just a normal wet Thursday in any northern town.

Visions Of Snowdonia (BBC2 again) is a bit of a pun, given that – judging from last week's opening episode – the programmes combine visual aspects of the national park with more personal visions. Sam Roberts, park warden and focus of the programme, remained impressively benign in the face of naivety bordering on idiocy from some visitors. For a man who writes poems to Snowdon and appeared to be literally in love with the mountain, he also seemed generously resigned to the paradox of so much modern tourism: that its success threatens to destroy the very attractions which create that success. A million boots and trainers are wearing Snowdon away: we saw Roberts in a gully with his head on the level where his feet used to be when he walked there as a boy. Whether the subject of this series is travel, environmentalism, or fascinating eccentrics hardly matters: it works.

Which is more than can be said, in the end, for *Melissa* on Channel 4. This five-part re-write of a Francis Durbridge thriller by Alan Bleasdale, no less, began by looking old fashioned; showed promise in the middle of developing into a vintage Bleasdale character study; and then, in the last two episodes (which, we were told, contained the original plot) collapsed in a welter of unlikeliness. The idea of the murderer shoving "Rhett Butler" off the steamer for practice was far-fetched enough. The notion of his murdering Steve merely to discover, further, whether he was capable of killing a friend was worse. But what was unforgiveable was to portray the murderer all the way through as a normal, rational being and then to tell the audience that the solution to the entire mystery is that he was actually barking mad, but that you were keeping this a secret. If Bleasdale wants to do any more thrillers he should first read plenty of Christie and Sayers and learn the rules.

Neil Dunn's 'Steaming' revived: the play looks rather more exposed than the actresses

Alastair Muir

Opera/**Andrew Clark**

Wisdom fused with youth

For opera-goers in the southern part of the UK, it's going to be difficult to avoid *Simon Boccanegra* over the next month or two. And who's complaining? Welsh National Opera has just unveiled a new production which sets out the story in spare representational terms – practical for a touring company, and ideal for audiences encountering the work for the first time. Next week the Royal Opera opens its 1997 Verdi festival with a revival of the handsome Moshinsky staging, to be followed next month by a new production of the little-known first version of the opera.

Boccanegra will never rank as popular Verdi, but it has achieved a status in the international repertory few could have imagined even 15 or 20 years ago. That status is not hard to explain: in the revised 1881 version, which Verdi and Boito fashioned out of a work composed nearly a quarter of a century earlier, an ageing man's wisdom and experience are fused with the vigour of youth, in a form which takes account of life's complexity. *Boccanegra* does not sell itself cheaply; it always rewards a return visit.

And that proved very much the case at Cardiff's New Theatre on Monday. The conductor, Carlo Rizzi, brings unexpected excitement to a score better known for its sombre colouring, and it is a pleasure to hear the choral tableaux sung with energy *and* refinement. Some of the phrasing and balances need further attention, but the overall impression is shapely and characterful.

David Pountney's staging finds him returning to the mild, non-interventionist style of his apprentice years at Scottish Opera. This may be welcomed by those who regret his slide into increasingly abstruse avenues of interpretation elsewhere; but in the WNO *Boccanegra* he has gone to the opposite extreme, and I found myself wishing for a more incisive viewpoint.

That impression may have something to do with Ralph Koltai's decor, which consists of little more than a pair of mobile flaps representing a tomb (destiny, death) and a fish-head (the sea, life, youth). The style is simple and honest – 1960s rather than 1990s – and Pountney tells the story with unusual clarity. His lighting designer, Mimi Jordan Sherin, deserves special credit for the dappled maritime colours she uses.

But *Boccanegra* is an opera of bold contrasts – between youth and age, public ambition and private conscience, plebeian and patrician – and Pountney fails to reflect them. While Fiesco ages convincingly in the 20-odd years that elapse between the Prologue and Act 1, Boccanegra looks virtually the same – dressed in a shapeless blue smock throughout. The council chamber scene is a non-event, with Renaissance potentates prancing around on stilts; chorus-movement is ultra-conventional; and Petrarch's patriotic poetry emblazoned on the back wall in the final scene is both mystifying and distracting.

Phillip Joll's corsair-turned-statesman is a microcosm of the production: solid but uninspiring, lacking a Verdian breadth of voice and vision. Alastair Miles's *Fiesco* is, by contrast, a world-class portrayal – eloquently contoured singing, matched by sincerity of expression. Paul Charles Clarke's modest tenor is no match for the headstrong young nobleman Adorno, but Nuccia Focile scores a big success with Amelia, the brilliant colours of her voice filling out as the evening progresses.

Theatre/**Sarah Hemming**

Women sing the bath house blues

The set for this revival of Nell Dunn's *Steaming* is wonderful. Robin Don has recreated a dilapidated old Turkish bath house on stage, complete with wrought iron staircase and battered tiles, steamy atmosphere and icy plunge pool. After a while, you want to climb on stage and join in. This, I recall, was one of the main attractions of the film of this 1981 play: it drew you into the other world of the baths, a safe haven with its own rules and own pace, and gave you the sense that you were really eavesdropping on the women's troubles. But while Ian Brown's production looks the part, it never quite takes off: paradoxically, the play's seductive, slow rhythm does not seem to work so well on stage.

The main drawback is the play itself, which is showing its age and looking rather more exposed than the actresses who have to strip off on a regular basis. It is still often funny and the basic idea – throwing together six very different women who join forces to fight for the survival of their beloved baths – is most appealing. But the characters are flimsily drawn and too schematically arranged. Each of them is learning to cope without a man and each has been disappointed in love, but when you start to examine them, they look too much like a tidy set of case histories.

They are the repressed Mrs Meadows, whose husband was a gentleman – "he never bothered me after Dawn was born"; Nancy, who played the dutiful barrister's wife for 18 years until he walked off with a lover; Jane, who was destroyed by her easygoing "open" marriage – he had affairs, she pretended she didn't mind; brash Josie, whose life revolves around her sexual satisfaction, who regales us with the details of her intimate exploits and who unashamedly declares she would rather live off her sadistic boyfriend than do a boring job; and Dawn, Mrs Meadows' simple daughter, who has been kept under medication since she had some dubious sexual experience at the police station she worked at 16 years ago.

Much of the talk then is of men and how to live with or without them. But little of it is very revealing or surprising. Nancy and Jane's discussions about freedom and female empowerment seemed clumsily stitched on and rather toe-curlingly unconvincing.

Despite these shortcomings, the play is still very endearing. Nell Dunn has a great ear for the way women talk, dipping from one subject to another in apparent non-sequiturs, as easily as they slip from the steam into the cold water. Her script is funny and affectionate, and the characters, if slender, are warmly drawn.

All the cast revel in this. Jenny Eclair plays a blinder as Josie, making her a brittle, bubbly peroxide blonde, but letting you see that beneath her bravado is a rather courageous and lonely woman. Sheila Reid is enjoyable as the tight-lipped Mrs Meadows and Julie T. Wallace is touchingly funny as her huge, sensual and childlike daughter. There's a nice performance too from Diane Langton as the bath attendant, who combines bosomy comfort with a voice that could descale a bathtub at 50 paces. Ian Brown's production is sensitive, but still slightly self-conscious. Once everyone has relaxed a little, the play's gentle rhythm might begin to hold sway more and it might really start to steam.

Piccadilly Theatre, London W1 (0171-369-1734).

Elektra for romantics

The abiding hope at the Royal Opera House is that the spotlight will eventually be turned back upon the stage. Whatever dramas have been acted out behind the scenes, some as bloody as any Greek tragedy, the Royal Opera has continued to put on performances to an international standard.

Last week it was *Elektra* with a star cast. This week it is *Elektra* again, with an alternative rather than a second best cast. Having set aside time to rehearse the orchestra in Strauss's most complex score (the playing under Christian Thielemann's direction is splendidly rich-toned), it makes sense to offer a good run of performances; and alternating two singers in the title-role allows each time to breathe.

In fact, Elektra number two almost did not sing at all. Hildegard Behrens pleaded a throat infection (is there any role an ailing soprano would less want to face than this?) but carried on anyway. It is almost 10 years since I last heard Behrens, so it is difficult to tell how much her throat was troubling her. Not much at the top of the voice, one imagines, where she was singing fearlessly, with no faking of those perilous high C's; but the middle did not have much weight and she resorts to throaty near-shouting lower down.

To anybody brought up in the generation dominated by Nilsson and other Scandinavians, Behrens's warm, Germanic Elektra belongs to a different branch of the family tree. Instead of their steely vocal power and determination, she offers a womanly presence and a more expressive way of singing. This Elektra's triumph over evil is by no means a foregone conclusion, which makes the journey through hopes and fears more moving.

The most outstanding scene was her meeting with the raddled Klytemnestra of Jane Henschel, a frighteningly edgy mother-daughter encounter. Henschel punches out the words and enjoys going over the top. Alan Held is a strong and true Orest and Nadine Secunde, who must have a sense of humour to model in that Marilyn Monroe fright-wig, wrings everybody's withers with her all-out, rather lumpily-sung Chrysothemis.

So there are plenty of forceful personalities around and there is another in the pit, where Thielemann hoists his banner as the last of the old-fashioned romantics, leading the slowest and grandest performance of this opera I have heard. Most conductors delight in taking this score apart to display its phenomenal detail; Thielemann puts it back together again and shows how conventional much of the underlying harmonies are. No dyed-in-the-wool romantic will want to miss it.

Richard Fairman

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Rotterdams Philharmonisch Orkest: with conductor Donald Runnicles in works by Shostakovich and Britten; May 24

■ BERLIN

EXHIBITION
Haus der Kulturen der Welt Tel: 49-30-397870
● *Die anderen Modernen. Die Kunst Asiens, Afrikas und Latein-amerikas am Ende des 20.Jahrhunderts*: display of works by 30 contemporary artists from Africa, Asia and Latin America, including Mónica Castillo, Xu Bing and Fariba Hajamadi; to Jul 27

OPERA
Staatsoper Unter den Linden Tel: 49-30-20354438
● Zar und Zimmermann: by Lortzing. Conducted by Asher Fisch. Soloists include Roman Trekel and Andreas Schmidt; May 23

■ BONN

OPERA
Oper der Stadt Bonn Tel: 49-228-7281
● Die Zauberflöte: by Mozart. Conducted by Gustav Kuhn, performed by the Chor der Oper der Stadt Bonn and the Orchester der Beethovenhalle Bonn. Soloists include René Pape, Lothar Odinius and Raimo Laukka; May 24

■ DUBLIN

EXHIBITION
Irish Museum of Modern Art Tel: 353-1-6718666
● The Glen Dimplex Artists Award Exhibition 1997: display featuring works by the six artists shortlisted for this year's award: the sculptors Stephen Craig and Dorothy Cross, painter Willie McKeown, multi-media artist Maurice O'Connell, photographer Paul Seawright and the partnership of Phelan and McLoughlin who work with time-based art; to Jul 13

■ LEIPZIG

CONCERT
Gewandhaus zu Leipzig Tel: 49-341-12700
● Thüringischer Akademischer Singkreis: with conductor Michael Gläser in works by Kuhnau, Schütz, Bach and Grieg; May 24

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● James Galway: performance by the flautist, accompanied by pianist Phillip Moll. The programme includes works by Martineau, Fauré, Widor, Briccaldi and Doppler; May 24
Purcell Room Tel: 44-171-9604242
● Sarah Poole: performance by the soprano, accompanied by pianist Nigel Clayton, double-bass player David Heyes, drummer Chris Gould and trumpet player Julie Ryan. The programme includes works by Gershwin, Berlin, Bolling, Weill, Porter and Arlen; May 25
Wigmore Hall Tel: 44-171-9352141
● Martin Roscoe: the pianist performs works by Szymanowski, Chopin and Debussy; May 23

EXHIBITION
Tate Gallery Tel: 44-171-8878000
● Hogarth The Painter: exhibition marking the 300th anniversary of the birth of the British painter. The Tate's collection of Hogarth's paintings is displayed in its entirety together with more than a dozen loans, including works which have been recently rediscovered. Most significant among the loans is Hogarth's early masterpiece "A Scene from Dryden's 'The Conquest of Mexico'"; to Jun 8

■ MADRID

EXHIBITION
Palacio de Velázquez Tel: 34-1-573-62-45
● En La Piel de Toro: display of works by Spanish and Portuguese artists from the early 1980s to the present day. Featured artists include Juliao Sarmiento, Jorge Mulder, Rui Charles, Pedro Cabrita-Reis and Juan Muñoz; to Sep 8

■ MUNICH

EXHIBITION
Kunsthalle der Hypo-Kulturstiftung Tel: 49-89-224412
● Alberto Giacometti: display of works by the Swiss sculptor famous for his bronze stick figures;to Jun 29

OPERA
Cuvilliés-Theater – Altes Residenztheater Tel: 49-89-296836
● Die Verkaufte Braut: by Smetana. Conducted by Jun Märkl, performed by the Bayerische Staatsoper. Soloists include Marita Knobel, Petra-Maria Schnitzer and Hans Günter; May 23

■ NEW YORK

CONCERT
Juilliard Theater and Paul Recital Hall Tel: 1-212-769-7406
● Julliard Pre-College Orchestra: with conductor Rossen Milanov in works by Ravel and Dvořák; May 24

EXHIBITION
MOMA – Museum of Modern Art Tel: 1-212-708-9400
● Objects of Desire: The Modern Still Life: exhibition examining the development throughout this century of the still life genre, featuring works by Picasso, Magritte, Miró, Joseph Cornell, Jasper Johns and Christo; to Sep 2

■ PARIS

CONCERT
Cité de la Musique Tel: 33-1 44 84 45 00
● Ensemble Intercontemporain: with conductor Hans Zender and tenor Kurt Azesberger in works by Schubert; May 24

EXHIBITION
Galerie Colbert Tel: 33-1-47 03 81 26
● Pascin gravé la nuit: the first retrospective of work by the Frenchman who began his artistic career as a newspaper illustrator. On display are 100 peices, including prints, engravings and illustrations, with an additional display of works by contemporaries and associates, inlcuding Laborde and Grosz; to Jun 14

■ TEL AVIV

OPERA
The Opera House Tel: 972-3-6927777
● Die Zauberflöte: by Mozart. Conducted by Lawrence Foster, performed by the Deutsche Oper Berlin. Soloists include Uwe Peper; May 24

■ THE HAGUE

CONCERT
Dr Anton Philipszaal Tel: 31-70-3607927
● Residentie Orkest: with conductor Evgeny Svetlanov perform works by Schumann and Brahms. Part of the Brahms Festival '97; May 24

■ VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Wiener Kammerorchester: with conductor and violinist Ernst Kovacic perform works by Barber, Bolcom and Beethoven; May 24, 25
Musikverein Tel: 43-1-5058681
● RSO-Wien: with conductor Dennis Russel Davies and pianist Ursula Oppens performs works by Ives, Harrison and Dvorák; May 24

■ WOLFSBURG

EXHIBITION
Kunstmuseum Wolfsburg Tel: 49-5361-26690
● *Bruce Nauman 1966-1996*: exhibtition featuring over 50 works surveying Nauman's major film, phototgraphic and video works over the past 30 years; from May 24 to Sep 14

■

WORLD SERVICE

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(Central European Time)

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NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Edward Mortimer

The satanic dialogue

As Iran prepares for elections, the US and the EU should agree a more rational approach towards Tehran or they risk falling out with each other

"They degrade women under the name of Islam; they don't pay any attention to them; they do not allow them to take part in the political process; women do not have the right of political presence in society and they say this is Islamic. This is a distortion of Islam."

Who says so? Some brave Egyptian feminist? A Tunisian minister? Wrong. That is an extract from a campaign speech made a week ago by Hojatolislam Ali Akbar Nateq Nouri, the *conservative* candidate favoured by the Iranian religious establishment in this Friday's presidential election.

Mr Nateq Nouri affirmed "there is no difference between men and women" and claimed credit for a legal reform allowing women to become investigative judges. He was making a blatant pitch for the women's vote.

He will not have to compete for it against any women candidates. The current *majlis* (parliament), of which Mr Nateq Nouri is the Speaker, has 17 women members, as high a proportion as the last UK House of Commons. But the Council of Guardians, which vets all presidential candidatures, eliminated the nine women applicants, including the daughter of a leading figure in Iran's Islamic revolution.

Out of 238 registered candidates, only four were left after the council had done its work. They include Mr Mohammad Khatami, the former culture minister, who was forced out of office for refusing to impose sufficiently strict censorship but is favoured by some clerics as well as intellectuals, artists and technocrats. The removal of other liberal candidates could even help Mr Khatami, although the most organised legal opposition party, which advocates not only greater democracy but also overtures to the US, is urging voters to leave their ballot papers blank.

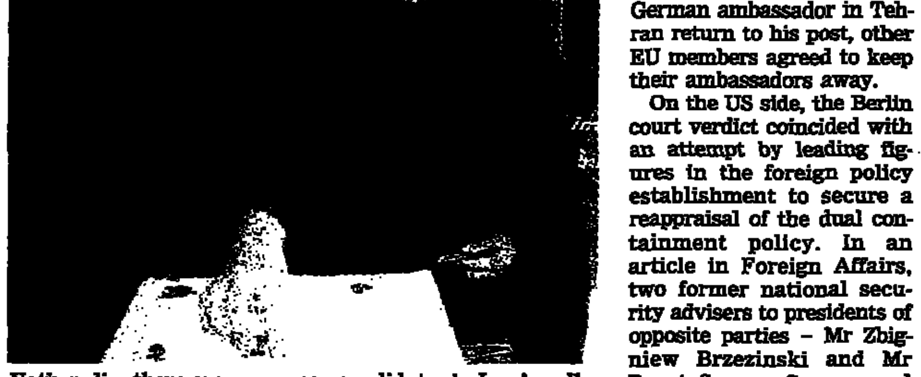
What is clear is that the election, although keenly and genuinely contested on domestic issues, is not about foreign policy. "The principles of our foreign policy definitely will not change," says the veteran foreign minister, Mr Ali Akbar Velayati. The country's foreign policy is set by the supreme leader, Ayatollah Ali Khamenei, not by the president, he says. Consequently, in the words of a Khatami supporter: "The main aim of all parties is to fight against America, the Great Satan. Down with America and Israel, the enemy of all Moslems."

These sentiments are cordially reciprocated. Iran is regarded by senior US policymakers as the country posing the greatest threat to US national interests and to world order. The Federal Bureau of Investigation is rumoured to be close to concluding that Iran was responsible for last June's bomb in Saudi Arabia which killed 19 US servicemen.

Mr Bill Clinton, US president, has promised "appropriate measures" if such a conclusion is reached. Meanwhile, the US regards Iran's behaviour as reprehensible on four counts:

- It undermines the Arab-Israel peace process. Mr Shimon Peres, the former Israeli prime minister, has blamed terrorist attacks, allegedly Iranian-sponsored, for his defeat last year by Mr Benjamin Netanyahu.
- It is responsible for other terrorism, including the killing of 241 US Marines by a suicide bomber in Lebanon in 1983 – which Iran's ambassador to Syria at the time says he organised – and more recently the assassination of some 60 Iranian dissidents abroad, mostly in Europe.
- It is trying to develop weapons of mass destruction, especially a nuclear bomb, and long-range missiles.
- It poses a threat to shipping in the straits of Hormuz, and to the US military presence in the Gulf.

The Clinton administration has sought to respond to these perceived threats by a policy of "dual containment" – so-called because it applies to Iraq as well – of which economic sanctions are the main tool. While Iraq, because of its invasion of Kuwait in 1991, is subject to stringent UN sanctions, those against Iran have so far been mainly unilateral.



Voting slip: there are no women candidates in Iran's poll

Other western countries, notably those in Europe, have preferred to maintain economic ties with Iran while trying to deal with political problems in a so-called "critical dialogue".

This difference of approach has caused considerable friction across the Atlantic. Americans have accused Europeans of being soft on terrorism, and claim that, wittingly or not, they are indirectly aiding and abetting Iran's nuclear ambitions. Europeans reply that isolating Iran will only make it more irrational and extreme. They also object strongly to the Iran-Libya Sanctions Act which the US adopted last year. This act institutes a secondary boycott of foreign companies investing more than $40m (£24.6m) in Iran's energy sector.

Neither side is completely happy with the results of its policy. The EU last month formally suspended its critical dialogue with Iran after a German judge held the top leadership of the Iranian state responsible for the murder of four Kurdish opposition figures in a Berlin restaurant in 1992. The EU also formalised a previously informal ban on arms sales to Iran, agreed to co-operate in denying visas to Iranian intelligence agents, and invited non-member European states to align themselves with these measures. When Iran replied by refusing to let the German ambassador in Tehran return to his post, other EU members agreed to keep their ambassadors away.

On the US side, the Berlin court verdict coincided with an attempt by leading figures in the foreign policy establishment to secure a reappraisal of the dual containment policy. In an article in Foreign Affairs, two former national security advisers to presidents of opposite parties – Mr Zbigniew Brzezinski and Mr Brent Scowcroft – argued for "a more nuanced approach" to Iran. This, they said, should focus more narrowly on the nuclear issue, which they identified as "the single most worrisome aspect of Iran's behaviour", and use carrots as well as sticks.

Demand for a change of policy within the US stems from various motives: belief that the present policy is ineffective, fear of a US-European confrontation, general dislike of boycotts and sanctions, and fear that US companies might be excluded from consortia exploiting the vast oil and gas resources of central Asia and the Caspian.

In theory the time should be ripe for a concerted US-European approach, in which both sides would agree on "benchmarks" for judging Iranian behaviour.

The Europeans could agree on specific sanctions to be applied if Iran were found to be continuing sponsorship of terrorism, or if it refused to co-operate with the more intrusive nuclear inspection procedures adopted by the International Atomic Energy Agency last week. The US could publicly identify the interests it shares with Iran – including the containment and, if possible, removal of Saddam Hussein – and its eagerness to co-operate if only it could be reassured about Iran's intentions.

At least the Iranian regime, as it reviews its foreign policy options after the election, would then know what price and what reward each course of action is likely to bring.

Unhappily it is more likely that Mr Clinton will feel unable to risk any suspicion of being soft on Iran, while Europeans remain unwilling to forgo the advantages of trade and investment. In that case Iran's behaviour will not improve, but transatlantic relations will certainly get worse.

Personal View · Jeffrey Garten

The challenges of an emerging world

Huge changes in developing countries pose threats as well as opportunities

Several big emerging markets hold enormous promise for the expansion of business and democracy around the world. But business executives, trade officials and foreign ministries are not sufficiently sober about the tumultuous transition that is occurring from Brasilia to Beijing and the many crises that loom in the emerging world.

Too many governments, companies and investors are have bought the line that Adam Smith and John Locke have completely won the day: they are making straight-line projections that the substantial economic and political progress which has occurred in east Asia, Latin America and central Europe will continue at the pace of the last several years. This is a dangerous miscalculation.

Some of the problems on the horizon are familiar. A significant rise in US interest rates, for example, could have a devastating impact in Latin America, which is so heavily reliant on capital inflows in stocks and bonds, much of which could migrate north in search of higher returns. In Asia, multinational companies are so bullish that we are seeing the spectre of overcapacity in electronics, petrochemicals and autos. Such gluts have historically played havoc in the world economy.

Then there is the sheer difficulty of implementing the next generation of economic and social reforms. From Mexico City to Seoul, progress in such areas as labour reform and education is nowhere near adequate to meet the requirements of minimum decent living standards, let alone the need for societies to compete globally. Slow progress in developing modern banking systems is an Achilles heel that portends real problems.

It would be dangerous, too, to count on a continuous upward trajectory for trade expansion. Over the next decade, some 1.5bn young workers from emerging markets will enter the global workforce. They will be earning $5-$10 a day, against $100 in the US, Europe, or Japan but – with access to western management, technology and capital – they will be almost as efficient. We can expect rising imports and severe downward pressure on wages in the industrial world. Enormous protectionist tension is a real possibility.

These problems pale next to the difficulties that are arising as capitalism confronts weak or non-existent democracies. Free markets are emerging without the required political preconditions – without adequate regulatory structures, minimal safety nets, or fair and impartial institutions for enforcing the laws. The scenarios are frightening: Mafia dominated economies like Russia; breakdown of law and order in Brazil or Taiwan; seething pressures that could burst out in the open in Mexico or Indonesia.

This collision between economic and political forces is no small matter. It could put a monkey wrench in the wheels of economic reform, and lead to political chaos and instability. In the eyes of local populations, it could discredit the great transition to democratic capitalism, leading to a return of authoritarianism and futile, but disruptive, attempts at more centralised controls. If this happened, the economies of the US, Europe and Japan, which are increasingly dependent on trade with emerging markets, could be badly damaged. There would also be intractable foreign policy problems.

None of these potential crises ought to be an excuse for countries such as the US, the UK or Japan – or for their companies – to turn away from the emerging world. On the contrary, they must redouble efforts to engage the big emerging markets with trade and closer political ties.

Such engagement would have several dimensions starting with intense efforts to build a global network of institutions, such as the World Trade Organisation, which help these countries make their difficult transitions. Engagement should extend to serious technical assistance, bilateral and multilateral, to implement the second generation of micro-reforms from financial regulation to flexible labour laws. Efforts to bring China into the WTO should be accelerated. The US Securities and Exchange Commission, together with its counterparts in Europe, should expand efforts to strengthen stock markets. Foundations, helped by legal societies in the west, should focus more on establishing the rule of law in emerging markets.

Global companies have a big role to play, too, for business has become the most powerful force shaping the world. Chief executives need to brace for the longer term in emerging markets. Part of that strategy should encompass investment and technical assistance in such fields as education, workforce training, and healthcare delivery. This is all the more necessary as the resources of western governments come under increasing pressure.

The big emerging markets are reshaping the world as we know it. We need a proportional and complex response. Blind optimism is not enough.

The author, under-secretary of commerce in the Clinton administration from 1993-95, is dean of the Yale School of Management. He is author of The Big Ten: The Big Emerging Markets and How They Will Change Our Lives (Basic Books)

LETTERS TO THE EDITOR

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German government displaying political vision of no account

From Professor D.R. Myddelton.

Sir, It is distressing to see that even the self-righteous German government is now willing to cheat in order to meet the Maastricht criteria on the permissible level of government deficits ("Bonn plans gold move to reduce its deficit", May 16). But it is not surprising: the untrustworthiness in financial matters of governments all over the world is hardly a secret.

I do hope, however, we can now finally dispense with sanctimonious government instructions to commercial enterprises about methods of financial reporting. The fact is, as this recent episode reminds us, that political notions of "a true and fair view" are beyond contempt.

D.R. Myddelton,
professor of finance and accounting,
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Bedford MK43 0AL, UK

Lee cautioned Hong Kong governor

From Mr Yeong Yoon Ying.

Sir, I refer to Kerry McGlynn's letter (May 14) that Mr Lee Kuan Yew had changed tack on Hong Kong.

Mr Chris Patten met Mr Lee on July 7 1992 with note-takers. To ensure there could be no misunderstanding over what Mr Lee had said to Mr Patten, instead of talking to Hong Kong journalists who were waiting to interview him, he gave them this written statement: "I believe if the objectives he [Patten] decides upon are within the framework of the Joint Declaration and the Basic Law, he would have firm grounds to govern and build upon during the transition up to 1997. I said the best measure of his success will be that the system he leaves behind continues to work well for Hong Kong beyond 1997."

McGlynn quoted Mr Lee's interview with the Sunday Morning Post of October 11 1992.

Publicly, in that interview, Mr Lee had added: "[Patten's] blueprint resembled more an agenda for action of a nationalist leader mobilising his people to fight for independence from a colonial power than a valedictory programme of a departing colonial governor."

Privately, at Government House on October 10, Mr Lee cautioned the governor that the interpretation he had given of "functional constituencies" negated the meaning of "functional" because he had widened it to include all workers employed by those functional groups. They would be representing the workers, not the professionals or businesspeople for whom they were intended.

By December 1992, three retired senior British Foreign Service officers had warned that the governor's policy gave the Chinese government an opportunity to renounce what they had agreed to. At his lecture at Hong Kong University on December 14 1992, with the governor as chancellor of the university in the chair, in answer to a question, Mr Lee read out extracts of what Lord David Wilson and Lord Murray Maclehose had said in the House of Lords, and also what Sir Percy Cradock had written. They all made clear that Mr Patten's course of action was contrary to what they, on the British team, had negotiated and agreed upon with the Chinese government.

Yeong Yoon Ying,
press secretary to senior minister,
Prime Minister's Office,
Singapore

Nothing to fear with Kenneth Clarke

From Mr Andrew Shouler.

Sir, It is no surprise that your columnist Philip Stephens should favour the Europhile social democrat Kenneth Clarke for leader of the UK Conservative party ("Clarke the fighter", May 19). But, bearing in mind that Mr Clarke was (a) almost singularly responsible for denying the Conservative party a united, popular and (most importantly) genuine Eurosceptic stance during parliament's last term, and (b) as a bulwark of the Tory left, generally partook in the abandonment of Thatcherite restraint of taxation and government spending, he is among the most obvious culprits behind the stay-away tendency of natural Conservative voters (or their switching to the Referendum or UK Independence parties) which dominated the outcome of the UK's recent general election.

It is quite plain, therefore, that the Conservative party has negligible chance of wresting power back from the pseudo-Conservative Labour government (sufficiently non-socialist to be safe enough to elect, apparently) without a big reversion to the basic principles of the commonsense right, which simply were not available to vote for this time.

The Labour party must fear Mr Clarke as opposition leader about as much as a dog fears having his tummy tickled. Purveying of the opposite notion is obvious disinformation.

Andrew Shouler,
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Essex RM17 6HF, UK

Split would realise Time Warner's real value

From Mr Ian H. Turvill.

Sir, In your report on Time Warner ("Time for some results", May 14), you suggest that this company's performance is satisfactory, but just held back by large interest payments. This conclusion is somewhat misleading. However, I do agree with your analysis that it is time for Time Warner to split up.

As a general rule, equity holders demand a greater return than bond holders. If Time Warner cannot generate enough income to cover its interest bill, then it will certainly not generate sufficient earnings to compensate its shareholders adequately for the additional risks they bear. The company's businesses may be "firing on all cylinders", but its shareholders have reason to demand even better performance.

Mr Richard Parsons, president of Time Warner, suggests that Wall Street analysts are unable, or perhaps unwilling, to take account of the performance of individual units within the company.

Unfortunately, he has fallen victim to the hypothesis that stock analysts are either dumb or lazy. Analysts have large incentives to produce an unbiased estimate of the company; there are large trading gains to be had if they can. If the stock is a poor performer, then I am forced to conclude that the analysts have got it right.

Time Warner bears considerable costs in managing such a group of disparate businesses and would be far better off if it were indeed split up, just as you suggest.

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COMMENT & ANALYSIS

FINANCIAL TIMES
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Remaking Maastricht

It is time for the latest spin of the Great European Union Constitutional Carousel, also known as the intergovernmental conference. When the leaders of the EU forgather on the Dutch North Sea coast on Friday for an extraordinary summit, they are not just meeting to admire the charms of the newest member of their club, Mr Tony Blair. They are supposed to be giving their constitutional negotiations one last concerted push in the hope of reaching a conclusion in Amsterdam in June.

No one should have exaggerated hopes about the likely outcome. The experts have laboured for many months to refine and adapt the Maastricht treaty, and made little progress towards their vague ambitions of greater integration, and greater efficiency. There have been modest compromises on how to reinforce the common foreign and security policies of the Union, and on wider areas for majority voting. But the emphasis is on modest.

Important areas remain to be agreed, including how far the summit participants can go towards joint immigration policies, border controls and crime-fighting. They have to decide the crucial question of changing the voting strengths of member states to reflect more closely their populations. And they have to curb the inexorable growth of the European Commission and its bureaucracy, as the EU looks set to expand towards a membership of 25, or even 30.

Better atmosphere

Nevertheless, the advent of a new British government with more room for manoeuvre than its Conservative predecessor has undoubtedly improved the atmosphere. Mr John Major might have had to veto practically any change in the rules. Mr Blair has made clear he can and will move some of the way. The question is, how far should he go, and how far should his fellow heads of government be seeking to move?

They should be guided by the need to make the EU relevant, efficient and accountable. As far as the first is concerned, its most relevant achievement to date has been the creation of the single market: more majority voting to make that a reality would make decision-making easier. There is also a case for widening majority voting to other areas of community competence, such as environmental policy, industrial policy, regional aid and research. On these areas, the European parliament should be given more powers of co-decision, to provide more democratic control at the EU level. National parliaments cannot do it alone.

Cautious Blair

Now a majority of member states wants to make the EU more relevant by adding cross-border crime-fighting and immigration control to the list of community rather than merely intergovernmental actions. On that question Mr Blair is as cautious as his predecessor. Not only does he not want to be bound by such policies; he does not even want them to be part of the joint EU decision-making machinery.

That seems a bit unreasonable. It is certainly not as if the rest of the member states want to be soft on crime or immigration. Quite the reverse. There is a likelihood that in return for freedom of internal movement, the EU will adopt very tough external controls. If Britain is going to opt out, it can surely allow the rest to enforce their rules under the treaty.

But that raises the whole question of flexibility in the future. When the former British government looked set to veto all attempts at further integration, flexibility seemed attractive: it would allow a majority to move forward, and a minority to dissent. But it is a route which could put the existing unified institutions of the EU under intolerable strain. It should be a policy of last resort. When flexible policies are agreed in future, they should – as in the case of Emu – be agreed by those who stay out as well as those who participate.

All change for the super-SIB

Mr Gordon Brown, the UK chancellor, yesterday produced another huge financial reform, like a rabbit out of a hat.

Only two weeks after announcing that the Bank of England was to be given operational responsibility for monetary policy, he told the House of Commons that the Bank is also to lose its responsibility for banking supervision. This will be transferred to a reformed Securities and Investment Board (SIB), which will subsume the three self-regulatory organisations (SROs).

In broad outline, the proposals are welcome. The two-tier structure for regulating non-banks, set up under the 1986 Financial Services Act, proved cumbersome, costly and often ineffective, as the departing chairman of the SIB, Sir Andrew Large explained in the FT this week. One of the most serious indictments is that many thousands who were mis-sold pensions are still waiting up to 10 years later for compensation, despite the efforts of the SIB to secure justice for them.

Moreover, as Mr Brown, rightly pointed out yesterday, the distinction between banks and non-banks has been eroding steadily. So it makes sense to simplify the regulations under the authority of one body. This will help the City in relations with multinational institutions and foreign regulators, who have great difficulty in understanding the present system.

Narrow focus

There is also an argument, supported by examples from other countries, such as Germany, for narrowing the central bank's focus to the task of monetary management. It will be freed thereby from the risk that a regulatory failure would damage its reputation.

However, the creation of a super-SIB will not conjure away the fundamental difficulties of financial regulation. Mr Brown said his sudden and unexpected announcement was being made now to give all interested parties time to say how they think the new arrangements should work in practice. After the transfer of the Bank's regulatory responsibilities in a Bank of England Act, probably in early autumn, a new Financial Services Act will be needed. It is most important that the drafting is not over-rushed, and that adequate time is allowed for consultation.

One reason is that the new SIB will become one of the most powerful regulatory bodies in the world. It will therefore need to achieve a number of important balances. It must preserve a clear distinction between regulation at the retail and at the wholesale level. The rules must also be drafted to ensure that the squabbles which plagued the the SIB and the SROs will not be replaced by turf wars within the unified organisation.

Rescue decisions

Unlike the Bank of England, SIB will not have the funds to bail out individual institutions in the event of extreme difficulty. Rescue decisions will therefore pass even more explicitly to the Treasury, but there will need to be a sensitive system for monitoring the danger signals.

Probably, the most difficult test of the new arrangement will be to achieve tight and effective regulation without stifling innovation and enterprise. A body as powerful and visible as the new SIB may have a strong incentive to play safe.

Up to a certain point this may be desirable. It is no doubt one of the government's objectives. But even in the retail sector it may easily go too far, by imposing over-restrictive conditions on institutions. When disasters strike, politicians and the public are apt to forget that a balance must be struck between safety first and the presumption that customers are not fools. An over-bureaucratised system must be avoided and practitioners given a voice. And financial institutions must be allowed to fail.

Getting this right will depend on the details, all of which are still to be decided. Mr Brown is to be congratulated on his initiative. But there is much work still to be done.

Lessons from the east

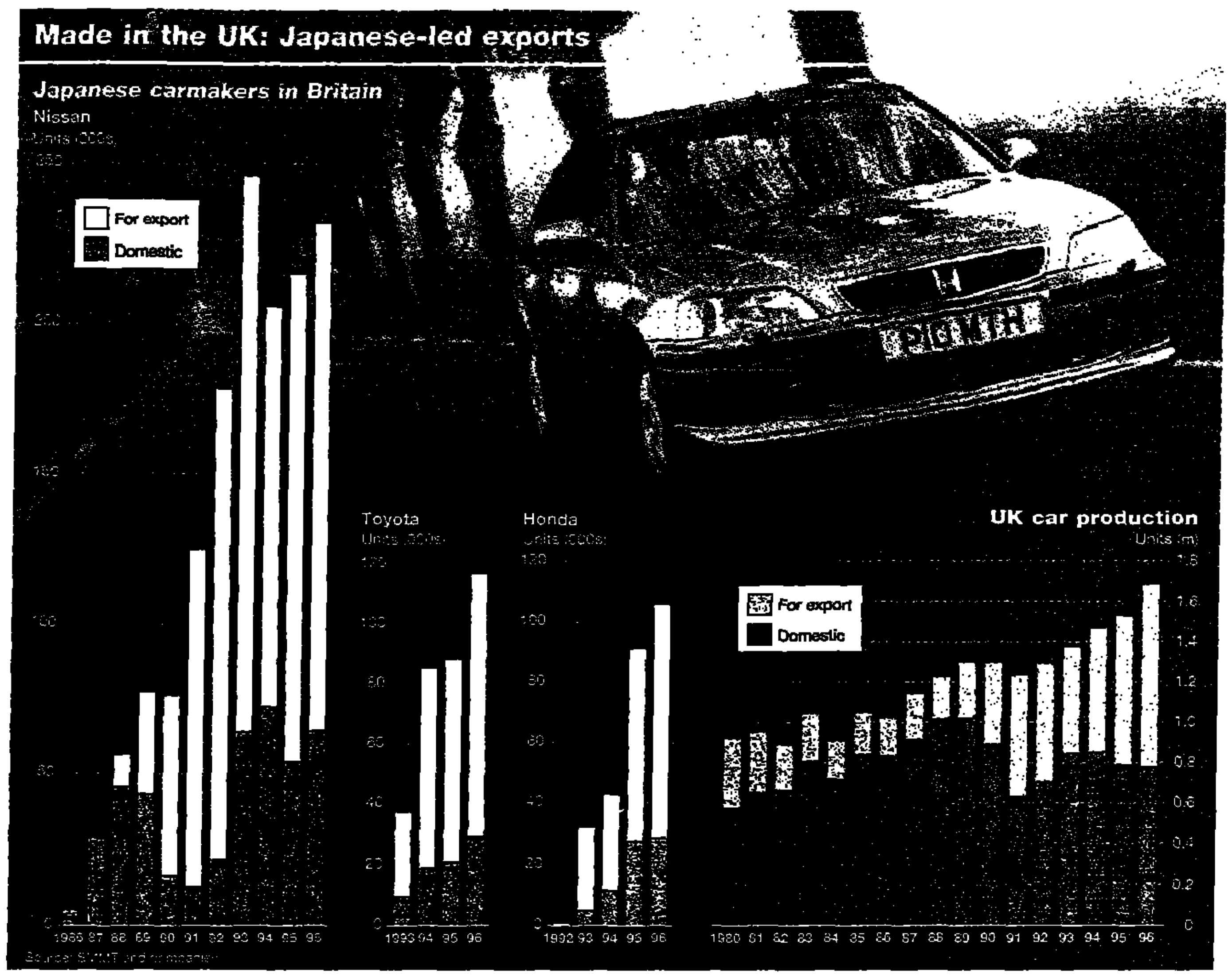
The recovery in the UK car industry, fuelled by the Japanese, has made it a testing ground for global output, says Haig Simonian

For an industry which seemed stuck in reverse a decade ago, Britain's carmakers have roared through the 1990s with all the brio of an Italian racer. In the first four months of this year, motor manufacturers announced investments of about £500m in new capacity.

This month alone, Hyundai, South Korea's biggest carmaker, revealed it was looking at three sites for a possible UK plant. Toyota, Japan's biggest car company, which already builds vehicles in Britain, may also weigh in with a third model range at its Derbyshire facility around the end of the decade.

Coupled with earlier expansion plans by Jaguar (the Ford subsidiary), Rover (owned by Bayerische Motoren Werke of Germany), and Vauxhall (General Motors's local arm), car output is expected to exceed 2m units a year by 2000. That compares with 1.69m units last year and is double the 1.02m cars made in 1986.

Such strong growth, which started with the arrival of Japanese carmakers in the late 1980s, has transformed the UK's steady decline in the international carmaking league. Britain has widened the lead gained over Italy in 1993 as Europe's fourth biggest carmaker. Now it is closing the gap on Spain for third place after Germany and France. Output last year was the highest in 22 years. Not since the "golden era", between 1963 and 1974, when production exceeded 1.5m units, has the UK built so many cars.



This year, however, has seen some sputters in the accelerating trend. While some manufacturers have announced significant increases in output, Ford and the Fiat group's Iveco commercial vehicles subsidiary surprised observers with plans to slim down or close some British operations.

Their decisions have raised doubts about the recovery in Britain's competitiveness, which was previously unquestioned. The issue has an international resonance: the UK, where foreign companies account for a remarkable 99 per cent of output, has become a testing ground for the world motor industry.

"It's no longer true to talk about the British motor industry, but the motor industry in Britain," says Mr David Leggett, director of forecasting for CSM Europe, a motor industry consultancy.

In Germany, France and Italy, production is dominated by domestic brands. In the US, the "Big Three" carmakers account for 73 per cent of output. No foreign carmaker has had the temerity to build vehicles in Japan in recent memory, although Ford and GM own stakes in Mazda and Isuzu respectively.

"Britain has become a live experiment for the global motor industry. You have the best of the Americans, Europeans and Japanese manufacturing here. It really is the place where you can see it all happen," says Mr Ian Gibson, chief executive of Nissan in the UK.

The reason some vehicle makers in Britain are raising output while others are scaling down lies in the evolution of car production in the 1990s. Nissan, Honda and Toyota, the three Japanese brands manufacturing in Britain, have fuelled the growth.

Nissan built more than 230,000 vehicles last year: Toyota made almost 117,000: while Honda managed 105,000. By contrast, Ford reduced its UK car production to 318,000 units in 1996 from 378,000 a decade earlier – the year Nissan opened its UK factory.

The Japanese manufacturers are also behind much of the expected growth in UK output. Nissan, which expects to build about 10 per cent more cars this year, announced plans in February to spend £215m to produce a third model in Britain. That should raise output to about 350,000 units a year from 2000.

Toyota's production is due to climb to 220,000 units a year with a second model in 1998. Honda, which already builds two models in Britain, denies it is planning a third. However, the company plans to raise output by 15 per cent this year, to reach 150,000 annually by the end of 1998, through variants to its existing cars.

Some non-Japanese carmakers are also expanding. Jaguar is completing a plant to build 55,000 medium-size saloons a year from 1998. Rover expects to raise output at its Land Rover subsidiary by 70,000 units annually with its new Freelander model. And both Peugeot and Vauxhall have big expansion plans.

None the less, it is Japanese car manufacturers that will account for the bulk of the increase, and it is from them that the UK's other carmakers have learnt five crucial lessons for their own growth:

● The need for strong exports. Production for foreign markets has given the Japanese the volume to justify their investments and subsequent expansion. Output for sale abroad accounted for 72 per cent of Nissan's production last year; 73 per cent at Honda; and 75 per cent at Toyota. No other UK-based volume carmaker comes close.

Strong exports have underpinned the overall growth of UK car production. Output for sale abroad quadrupled to almost 910,000 units last year from 213,000 in 1988. That was comfortably ahead of the previous record of 824,000 cars – and knocked-down kits – in 1969. Production for foreign markets is still rising. Output for export climbed by 17 per cent to 261,000 in the first quarter of this year compared with the same period of 1996.

● Consistent quality. A long-term export business is only viable if a factory can build cars at least as well as competing plants within the same group. Ford's decision in January to slim down car assembly at Halewood on Merseyside with the loss of almost 1,000 jobs was based partly on the factory's past failure to meet the stringent quality standards of continental European dealers.

Halewood's increasing dependence on domestic sales exposed it to the erosion of Ford's UK market share, which slipped to 19.6 per cent last year from almost 29 per cent in 1987. The fall, which led to lower capacity utilisation, made Halewood less viable as a volume car plant. That explained Ford's decision to exclude it from building the next generation Escort in favour of a lower-volume niche product. Fiat's closure of its Langley truck plant west of London in favour of a bigger Italian factory was similarly influenced.

● An improving cost base. Britain's relatively low basic wages and social costs compared with much of Europe underscored its original appeal to the Japanese. However, the subsequent expansion by all three Japanese brands demonstrates their UK operations have mastered the all-important principle of *kaizen*, or continuous improvement.

Mr Gibson argues that a factory's ability to reduce costs and raise productivity is crucial for subsequent investments. Such long-term performance criteria outweigh even apparently serious shorter-term negative factors, such as the recent appreciation of the pound. "The real question is, does the place where you're taking the gamble have the track record to make you comfortable it can deliver in future?"

Honda's decision to continue investing in the UK bears out the same view. Mr Ken Keir, managing director of Honda (UK), says its UK factory has demonstrated it can cut costs in the same way as the company's plants in Japan, winning the backing of senior executives in Japan.

● The ability to transfer *kaizen* to suppliers. The Japanese have taken the lead in working with components companies to improve quality by sending teams of quality and manufacturing experts into suppliers' plants to suggest improvements. As parts and materials account for roughly two-thirds of the cost of a car, ensuring a suppliers' standards are up to those of its customer is essential to cut costs and raise quality.

● Good labour relations. The Japanese pioneered the non-hierarchical teamwork approach now prevalent in the UK motor industry. By stressing co-operation between workers and management, meticulous training and greater responsibility for line employees, the Japanese transformed the confrontational labour relations typical of the past, says Professor Garel Rhys, a motor industry expert at Cardiff University business school.

The speed of the Japanese achievement has prompted some manufacturers to claim they were helped by locating at greenfield sites. Prof Rhys says the change was implemented by British managers from within the industry. "The Japanese gave them [British managers] the chance to put into place things they were aching to do when employed by traditional manufacturers," he says.

In the decade since Nissan's arrival, the Japanese model has permeated the other car companies. Virtually all are working with suppliers to improve quality and cut costs. Mr Richard Parham, managing director of Peugeot's UK subsidiary, says the company took £10m off costs in 12 months.

Carmakers are also trying to avoid over-dependence on the home market. Mr Nick Reilly, chief executive of Vauxhall, says his company now exports Astras for Opel, GM's German subsidiary, to Australia and even Japan. And all have tried to flatten hierarchies and pursue teamwork on the assembly line.

UK car output should continue to grow, in spite of short-term handicaps such as the stronger pound. With the five Japanese lessons now part of the UK's carmaking mantra, Hyundai may not be the last foreign manufacturer to consider setting up in Britain.

· OBSERVER ·

Bloomberg's Apple

■ Mike Bloomberg, the one-time Salomon Brothers banker who helped revolutionise the world of financial information, is looking for new peaks to climb. At 55, the man who's just published his autobiography, modestly entitled Bloomberg by Bloomberg, says he wouldn't mind being US president – but that's only the second-best job in America.

Bloomberg who picked up a $10m severance package when he quit Salomon 16 years ago, says he's not into building radio networks or buying baseball teams; but there's one operation he wouldn't mind running: "The best job in the US is mayor of New York city," he says with passion.

A committed Democrat, Bloomberg admits to being a soft touch for party fundraisers everywhere. He reckons current mayor Rudolph Giuliani has done a good job and will be re-elected this autumn, but he can't then stand again and that could provide Bloomberg with his big chance. "Four years from now it's wide open," he says, suggesting he'll have to take a decision in two years on whether to run. Bloomberg accepts the chances of his running are very small but "certainly not zero". He claims "it's not the stupidest idea" and who's going to argue with him? Funnier things have happened in US politics.

Twin piques

■ Laurent Kabila's decision to strike the name Zaire from the map of the world has brought back the old confusion with the little country called Congo just over the river. Kabila is now calling Africa's third-largest country the Democratic Republic of Congo, or Congo for short, which is what it was called from 1964 to 1971.

The two Congos were carved out by French and Belgian colonialists who set up the rival ports of Brazzaville and Leopoldville on either side of the lowest navigable stretch of the great Congo river for efficient extraction of the wealth of the continent. When French Congo and Belgian Congo won independence in 1960, they tried to head off confusion by sticking their capitals on to the country names – becoming respectively Congo-Brazzaville and Congo-Leopoldville.

After Leopoldville became Kinshasa and the country Zaire, the former French domain was free to call itself Congo. So now the two Congos, only 3 km apart, face the old confusions. The newly renamed Voice of Congo radio station is pitched at listeners in Congo, but can also be picked up across the River Congo in Congo – from where Radio Congo broadcasts to the two Congos.

Congo (the little one) hasn't said anything about the situation yet but as it has about 3m people to its neighbour's 40m, most people in Brazzaville expect that if concessions are to be made, it's their country that will be making them.

Going cheap

■ There's something about Berkeley Square in London's snooty West End that makes tight-fisted company chairmen open their wallets. London's landlords are cock-a-hoop over news that Concert, sired by the mega-merger of MCI of the US and Britain's own BT, is deep in discussions about a new headquarters at number 30. Word is that the Prudential, which recently finished building the block, will be pocketing a rent well above the average for the area.

Analysts insist this is a one-off for a "special address", though that won't stop the terms being used to try to ramp rentable values nearby. But what lies behind the cachet of a Berkeley Square address? Says one agent, who's tired of telling clients they can't all expect rents at Berkeley Square levels: "They're willing to pay through the nose for a world-famous address. Every businessman from Tokyo to Timbuktu recognises it. I blame that damn song about the nightingale."

Paw-lickin' good

■ The Society for the Prevention of Cruelty to Animals in Rotorua, New Zealand, has found just the bait to lure stray cats. The peripatetic pussies had turned up their noses at beef, pork and rabbit, and even treated McDonalds burgers and fries with frosty contempt. Then the moggy monitors realised that the whiskered ones were walking past their traps to devour cast-off Kentucky Fried Chicken from litter bins. Let's hope the itinerant felines don't discover the secret of the colonel's recipe.

Language barrier

■ The new British government's determination to make a "fresh start" with the European Union is not without pitfalls. At Brussels confabs, agriculture minister Jack Cunningham keeps politely referring to EU fisheries and food safety commissioner Emma Bonino as Madame Bonino. Someone should tell him that Signora Bonino is Italian.

The Financial Times

100 years ago

Conditions On Wall Street
The reporting of the Tariff Bill as amended to the Senate, the rejection by that body of the Arbitration Treaty, the progress of the Graeco-Turkish war, reports of the strained relations between England and the Transvaal, and exports of gold have all exercised some influence over the course of the Stock Market, but the conditions of the latter at the close of the week shows that none has been powerful enough to bring about a radical movement in one direction or another. Foreign dealings in the market have been on the selling side.

50 years ago

Dissension In Germany
The necessity for co-ordination between the British and American zones of Germany cannot be over-emphasised. If we do not make a joint success of our occupation, public opinion in Britain and the United States will surely insist upon a complete withdrawal from Germany. But what, in fact, is happening? The British Government's political prejudices are impelling them to thrust their favourite nostrum of nationalisation upon the Germans, even though the Americans thoroughly disapprove of this policy.

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Japanese cabinet ministers had accounts with Nomura

By Gillian Tett in Tokyo

A group of about 100 officials of Tokyo district Public Prosecutor's Office entering the head of Dai Ichi Kangyo Bank in Tokyo yesterday during corruption inquiries Picture: AP

Japan's Nomura scandal took a new political twist yesterday when it emerged that three cabinet ministers held accounts at the disgraced securities company.

The revelations came as prosecutors raided Dai Ichi Kangyo (DKB), one of Japan's largest commercial banks, in connection with the scandal at Nomura, which is accused of paying protection money to corporate gangsters.

The government said the three cabinet members, whose names have not so far been released, had held so-called "VIP" accounts at Nomura – which the bank had set up specially for important clients.

But an official denied the ministers had been involved in any wrong-doing. Mr Seiroku Kajiyama, a government spokesman, said: "I have checked with the three ministers and there is no connection [with the Nomura scandal]."

However, the disclosures forced Mr Ryutaro Hashimoto, the Japanese prime minister, to make a statement explaining that he did not hold a VIP account at Nomura.

The securities company denies that its 8,000-9,000 VIP clients received preferential treatment.

The ministers' admissions have fuelled suspicions in Japan that the recent allegations about Nomura are only part of a broader web of illicit financial links, which may have affected a wide range of other companies.

The VIP accounts have been the focus of police investigations since the Securities and Exchange Surveillance Commission, Japan's financial watchdog, accused Nomura of using such an account to make illegal compensation payments to a property company linked to *sokaiya*. *Sokaiya* are corporate extortionists who demand bribes in exchange for not revealing sensitive information about companies at shareholder meetings.

The Japanese media claim the same property company received large unsecured loans from Dai Ichi Kangyo, which were then used to buy shares in other securities companies.

DKB yesterday refused to comment on the reports.

However, Mr Kunihiro Matuo, deputy chief prosecutor, confirmed yesterday that the raid on was linked to the probe into the Nomura scandal. DKB shares fell Y80 to Y1,390 ($12).

The raid on DKB follows extensive allegations in the local press that the bank had loaned money to a property company linked to the same corporate gangsters arrested last week during the Nomura investigation.

Rubin to place IRS under closer Treasury scrutiny

By Gerard Baker in Washington

The Internal Revenue Service, under widespread attack for being overbearing, inefficient and unaccountable, is to be placed under closer supervision by the US Treasury.

Mr Robert Rubin, Treasury secretary, said his department planned to seek legislation to institutionalise intense supervision of the US national tax collection agency by the Treasury.

"There are real problems at IRS that have developed over many, many years and that will take time to correct," Mr Rubin said, announcing the changes with Mr Al Gore, the vice-president.

Improving the accountability of the organisation would be an important step towards correcting the problems. Three specific measures will be introduced. First, the Treasury will establish an IRS oversight board of administration officials that will meet regularly to review strategic, personnel and procurement decisions.

Second, the Treasury secretary and deputy secretary will be obliged to appear twice yearly before a congressional committee to report on the conduct of their supervisory responsibilities.

Third, an IRS advisory board is to be appointed, comprising individuals from outside government to bring private-sector and consumer expertise to bear on IRS management. This board will produce an annual report to the taxpayers on the IRS performance.

The proposals, first outlined by Mr Lawrence Summers, deputy Treasury secretary, two months ago, are a direct response to calls for reform of the IRS from Congress and pressure groups.

The agency has a reputation for aggressiveness in dealing with taxpayers, but also for alleged inefficiency. Management and computer problems mean an estimated $150bn in taxes go uncollected each year.

Last year, the agency was said to have botched an attempt to improve its computer systems, at a cost of more than $3bn.

But the plans are also an attempt to head off calls for more radical reform of the IRS. Some Republican politicians have called for the agency to be partly privatised as a means of improving efficiency.

Mr Rubin yesterday categorically rejected those pleas, saying it was critical that tax collection remained in the public sector.

Cook urges concessions

Continued from Page 1

prepare the Union for enlargement to central and eastern Europe.

These issues – the size of the European Commission and the weighting of votes in the Council of Ministers – would only be settled at a "night of the long knives" in Amsterdam, said Mr Klaus Kinkel, German foreign minister.

Franco-German proposals for a phased merger of the EU and the Western European Union, its embryonic defence arm, also met with strong resistance. Britain was joined by the four neutral countries – Austria, Finland, Sweden, and Ireland – as well as Denmark in opposing the proposal.

Mr Cook made clear that he was unwilling to support any proposals which undercut the position of the Nato alliance as the guarantor of security in Europe. Denmark also expressed strong opposition.

EU protests to China over trade discrimination

Continued from Page 1

Netherlands. The foreign ministry attributed the decision to switch airport contracts to "normal commercial factors".

Beijing had made clear its displeasure at the human rights resolution by cancelling visits to Europe this month by officials.

In addition, Beijing postponed indefinitely a Dutch trade mission next month which Dutch business estimated would cost it between Fl 1.5bn and Fl 2bn ($787m-$1.05bn) in deals with China.

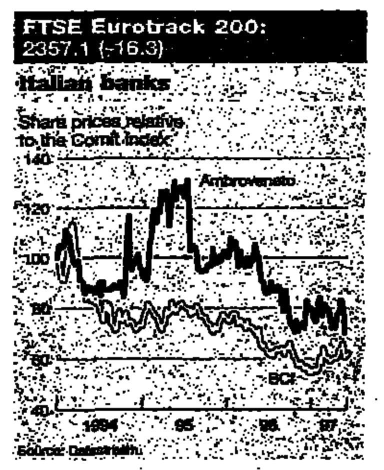
Billed as the most important for five years, it was to have been headed by Mr Hans Wijers, economy minister, and Mr Hans Blankert, chairman of the VNO-NCW, the Netherlands' main employers' federation.

In Beijing, a Danish embassy official said several projects involving Danish companies had suffered because of the row, and that some official visits had been cancelled.

THE LEX COLUMN

Fed freeze

FTSE Eurotrack 200: 2357.1 (-16.3)



The Federal Reserve is playing a dangerous game. Short term, of course, there was a case for leaving interest rates unchanged: slowing growth, subdued inflation and the tentative outlines of a budget deal all pointed this way. And there is always the option of doing in July what it failed to do yesterday. Still, the Fed's logic is difficult to fathom. The core issue is balancing the risk of higher inflation against the risk of lower growth. With unemployment down to 4.9 per cent since the Fed raised rates in March, and the economy growing at more than double the 2¼ per cent "speed limit" considered safe by the Fed, the risk of higher inflation is clearly the more pressing one.

The enthusiastic response of markets was predictable, but may well prove short-lived. The Fed can hardly believe it has curbed excess demand with only a 25 basis points tightening. How much more will be necessary? True, back in 1995 a similar 300 basis point real Fed funds rate slowed the economy sharply. But this time round the household and corporate sector are in much more robust financial shape. Add to that the upturn in activity in Europe and Japan, and another 50 basis points tightening looks likely by early next year. This can hardly be good news for bonds, and yields look set to climb. Equities have the consolation that the recent fall in the dollar will boost corporate earnings. But with the Fed still set to tighten further, the dollar's weakness may well prove temporary.

Cariplo

It is hard to spot the winner in the battle for Italy's biggest savings bank, Cariplo. Banca Commerciale Italiana (BCI) shares rose after it lost out to Banco Ambrosiano Veneto (Ambroveneto). BCI's investors were presumably worried they would be funding Mediobanca's ambitions to widen its sphere of influence – the Milanese merchant bank has strong links with BCI. Nonetheless, this outcome leaves BCI strategically bereft. The removal of currency barriers to foreign banks after European economic and monetary union poses a considerable competitive threat, and BCI is poorly placed to respond.

The deal propels Ambroveneto into the big league with the largest retail banking networks in the affluent Lombardy and Veneto regions. But Italian bank takeovers have rarely benefitted the buyer. Bidders pay premiums to book value for banks making pitiful returns on equity. And without properly integrating the banks, cost savings are not captured. In this case, Cariplo and Ambroveneto will retain separate identities under a holding company. And the charitable foundation which owned Cariplo retains 30 per cent of the group – a considerable potential barrier to wholesale rationalisation.

Undoubtedly, the Italian banking system needs consolidation. And a sleepy Cariplo offers huge potential for a management which strips out costs and sells value-added products to a largely untapped client base. But under this structure, benefits could take an awfully long time to come through.

UK regulation

Say farewell to the Bank of England Governor's famous eyebrows – and hello to the more technocratic charms of a beefed-up Securities and Investments Board. Such a wholesale redrawing of the City of London's regulatory map has respectable intellectual backing; as the barriers between financial products and institutions slowly get fuzzier, the theoretical case for a single regulator is real. As for the abolition of the present structure of non-banking regulation – with the SIB overseeing a brood of separate self-regulatory bodies – this is long overdue. Not only is the present system hopelessly bureaucratic but self-regulation was never a terribly credible basis for public confidence in the first place.

Still, on its own, the grand institutional rejigging announced yesterday is just that. Simply moving a bunch of regulators from one body to another will make little difference unless their behaviour also changes. And that, in practice, will probably prove a more challenging project than it sounds.

Furthermore, regulatory philosophy matters far more than institutional topography. On that front there are few clues as to what the promised legislation will bring. Let us simply hope the government's taste for *bombes surprises* is somewhat exhausted by the time it gets round to discussing the nitty-gritty. There is, though, one reason for optimism on the detail: Labour's thumping majority. At least this means there is a better chance that the new legislation does not become quite so mangled in parliament as its ill-fated 1986 predecessor.

Corporate governance

Given the importance rightly attached to non-executive directors in the Anglo-Saxon world, surprisingly little attention is paid to the way they are appointed. That of course suits company chairmen down to the ground, since it makes it easier to appoint buddies without too much fuss. Of course, boardroom life has become considerably trickier since Britain's Cadbury report suggested formal nomination committees, themselves including a majority of non-execs. But this idea has not always been followed – Cadbury did not make nomination committees mandatory in the same way as audit or remuneration committees. In any case, even where nomination committees do exist, they are too often little more than a rubber-stamp.

Here then are a couple of modest suggestions for reform. First, where listed companies choose not to have a nomination committee, perhaps they should be required in their annual report to explain why. Second, where nomination committees do exist, the annual report should say something about how they go about their job. For instance, the committee might promise regularly to seek the views of bigger shareholders, or always to consider a proper range of candidates. Needless to say, such ideas could not hope to eliminate cronyism altogether. But they would make the appointment process a little less cosy – and usefully so.

Additional Lex note on Marks and Spencer, Page 27

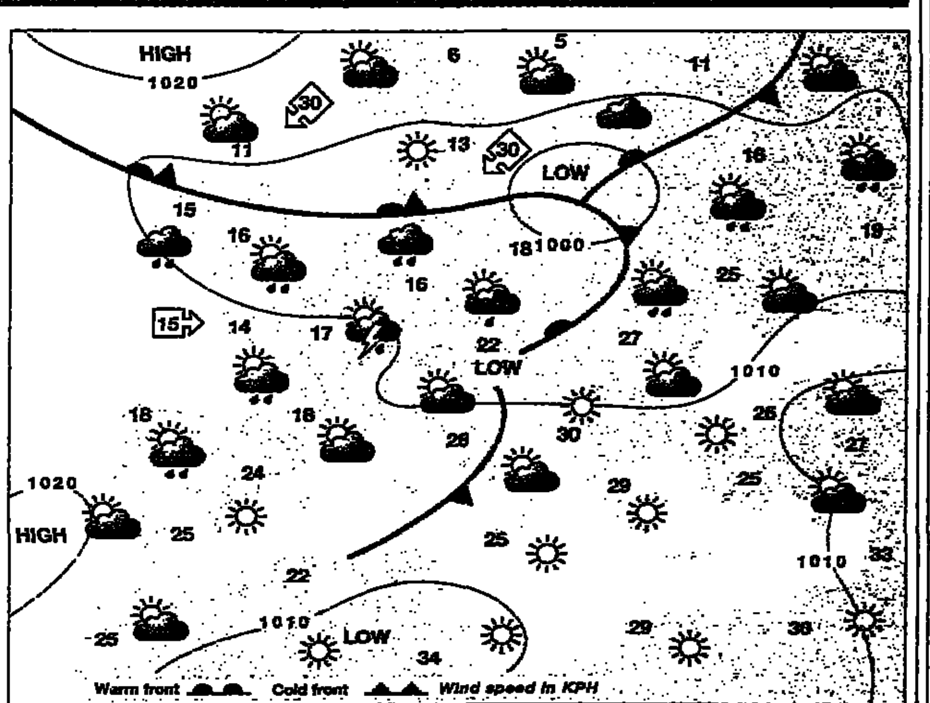
FT WEATHER GUIDE

Europe today

An area of cloud and rain will stretch from Ireland, across the Benelux and northern Germany into eastern Europe. Outbreaks of rain and local thunder are expected.
The UK, Germany and France will be showery. Northern Spain will also have showers.
North-west Europe will be cooler with maximum afternoon temperatures below 20C.
South-east France and southern Spain will stay warm.
The southern Iberian peninsula will be dry with sunny periods. Italy will also have sunny periods.
South-east Europe will be sunny with temperatures reaching 35C in some areas.

Five-day forecast

The UK and the Benelux will be cooler with cloudy periods and showers.
Northern areas of the Continent will be changeable.
The Balkans and south-east Europe will become unsettled, but will remain warm.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	sun 29	Caracas	sun 31	Faro	fair 22	Madrid	fair 24	Rangoon	shower 33
	Celsius	Belfast	shower 14	Cardiff	shower 16	Frankfurt	shower 19	Majorca	sun 23	Reykjavik	fair 8
Abu Dhabi	sun 37	Belgrade	fair 29	Casablanca	fair 22	Geneva	shower 21	Malta	sun 29	Rio	fair 25
Accra	shower 31	Berlin	rain 16	Chicago	sun 17	Gibraltar	fair 24	Manchester	rain 15	Rome	fair 26
Algiers	fair 22	Bermuda	fair 27	Cologne	shower 17	Glasgow	shower 14	Manila	shower 34	S. Frsco	fair 19
Amsterdam	shower 16	Bogota	thund 18	Dakar	fair 27	Hamburg	rain 14	Melbourne	cloudy 16	Seoul	fair 24
Athens	sun 29	Bombay	fair 33	Dallas	thund 27	Helsinki	sun 11	Mexico City	fair 25	Singapore	shower 33
Atlanta	fair 26	Brussels	shower 17	Delhi	sun 40	Hong Kong	rain 29	Miami	fair 32	Stockholm	sun 13
B. Aires	shower 18	Budapest	fair 23	Dubai	sun 37	Honolulu	fair 30	Milan	fair 24	Strasbourg	shower 19
B.ham	shower 16	C.hagen	cloudy 13	Dublin	rain 15	Istanbul	sun 26	Montreal	cloudy 9	Sydney	shower 19
Bangkok	shower 36	Cairo	sun 30	Dubrovnik	sun 27	Jakarta	fair 32	Moscow	fair 14	Tangier	fair 22
Barcelona	shower 20	Cape Town	fair 19	Edinburgh	shower 11	Jersey	shower 16	Munich	shower 22	Tel Aviv	fair 26
						Karachi	fair 36	Nairobi	fair 25	Tokyo	rain 21
						Kuwait	fair 40	Naples	fair 25	Toronto	fair 12
						L. Angeles	sun 23	Nassau	fair 31	Vancouver	shower 19
						Las Palmas	fair 24	New York	fair 19	Venice	fair 25
						Lima	cloudy 25	Nice	fair 21	Vienna	shower 23
						Lisbon	fair 21	Nicosia	shower 29	Warsaw	rain 18
						London	shower 18	Oslo	cloudy 12	Washington	fair 21
						Lux.bourg	thund 14	Paris	rain 17	Wellington	cloudy 15
						Lyon	fair 21	Perth	fair 22	Winnipeg	cloudy 14
						Madeira	fair 20	Prague	shower 20	Zurich	fair 18

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FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Amex narrows focus

American Express, the US financial services group, is to focus its expansion on about 25 countries. It will franchise operations elsewhere. Page 24

Sumitomo reports $1.28bn loss
Copper trading losses have pushed Sumitomo, the Japanese trading company, into the red for the first full year in its history. It recorded an after-tax loss of Y148.6bn ($1.28bn). Page 25

Marks and Spencer posts record profit
Marks and Spencer, Britain's largest clothing retailer, posted a record profit of £1.1bn ($1.78bn) for the year to March 31. Page 27

HSN to buy Ticketmaster in $210m deal
HSN, the US home shopping company, plans to take control of Ticketmaster, the biggest US ticketing service, in an all-share transaction worth about $210m. Page 24

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)		
Rises		
PWA	317	+ 9
Falls		
BMW	1385	− 43
CKAG Colonia Pr	153	− 5
Mannesmann	701	− 16
SAP AG	309.5	− 9.5
Volkswagen	1130.5	− 25.5
NEW YORK ($)		
Rises		
Astra AB B	43¾	+ 2¼
Carson A	10⅝	+ 1⅛
Fabri-Cntrs B	21¼	+ 1½
Guangshen Rlwy	24⅝	+ 1⅛
Falls		
Analog Devices	25⅞	− 2
Elec Data	38⅝	− 1¾
LONDON (Pence)		
Rises		
Billam	75	+ 12½
Falls		
Chrysalis	810	− 47½
Drew Scientific	155	− 34
Petra Diamonds	82½	− 5
Pittencrieff	45	− 10
UPF	107½	− 20
TORONTO (C$)		
Rises		
Alter Mineral	8.55	+ 1.65
Calian Tech	3.95	+ 0.5
Imax Corp	32.65	+ 26.40

The Second Cup	10.5	+ 1.2
Falls		
Ashton Mining	5	− 1
Golden Rule	2.85	− 1.09
PARIS (FFr)		
Falls		
Danone	900	− 22
Legris	278.0	− 7.9
Michelin B	340.4	− 11.1
Sommer-Allibert	221.8	− 8.2
Synthelabo	693	− 22
Worms Cie	355.9	− 8.1
TOKYO (Yen)		
Rises		
Daishowa Paper	660	+ 39
Mitsui Soko	747	+ 32
NHK Spring	484	+ 37
Falls		
Chiyoda Corp	554	− 24
Hitachi Maxell	2580	− 110
Nisshinbo Ind	984	− 46
HONG KONG (HK$)		
Rises		
China Merchant	9.55	+ 1.05
Denway Inv	1.34	+ 0.30
Hualing Hldgs	1.27	+ 0.15
Silver Grant	4.25	+ 0.45
Solartech Intl	3.15	+ 0.33
Falls		
Yaohan HK	0.53	− 0.05

Bangkok closed. New York and Toronto prices at 12:30.

Gazprom poised to raise $1bn

Russian gas company calls ABN-Amro and Goldman Sachs for help

By John Thornhill in Moscow and Robert Corzine in London

Gazprom, the giant Russian gas monopoly, seems set to confirm this week that bankers ABN-Amro and Goldman Sachs have been appointed to raise $1bn within the next three weeks to pay a massive tax bill.

The expected appointment reflects a struggle among Gazprom's directors over the company's future financing strategy, and a fierce battle between foreign investment banks to win business with Russia's biggest company.

Dresdner Kleinwort Benson and Morgan Stanley – which have advised the company on a string of international capital market transactions, appear to have been temporarily sidelined – although they are still working on longer-term financing projects for Gazprom.

Some bankers fear that the appointment of multiple advisers, resulting in confusion over their responsibilities, could derail the capital-raising programme and discredit Russian borrowers in the eyes of foreign investors. "There is such a division of interests within the company that it is almost paralysed," said a banker close to Gazprom.

Earlier this month, Mr Rem Vyakhirev, Gazprom's chairman, promised the government he would pay the company's outstanding $1.2bn tax bill by June 10 and began exploring ways to raise the money.

Gazprom is still examining a range of financing options but seems likely to opt for a $1bn bridging loan to be refinanced at a later date through a syndicated bank loan.

The company then aims to raise up to $5bn a year to finance developments in the Yamal peninsula via a mixture of convertible bonds and secured and unsecured debt offerings.

However, Mr Alexander Semenyaka, the finance director, has lost Mr Vyakhirev's ear and in effect been replaced by a group of Gazprom veterans. They have sought the advice of Middlesex Holdings, a small British trading company chaired by Lord David Owen, the former Bosnian peace negotiator.

Mr Masoud Alikhani, chief executive of Middlesex, has confirmed that talks with Goldman Sachs are at an "advanced stage." Mr Vyakhirev now seems likely this week to instruct ABN-Amro and Goldman Sachs to raise the $1bn - although no formal mandate has yet been signed. Both banks refused to comment.

However, market sources suggest both ABN-Amro and Goldman Sachs are prepared to commit $500m of their own capital to provide a $1bn bridging loan, which will subsequently be syndicated with a wider group of banks.

These banks are also likely to manage a $1bn convertible bond issue this summer.

NCB's bad loans level worse than previously believed

By Gillian Tett in Tokyo

The level of potential bad loans at Nippon Credit Bank, Japan's ailing long-term credit bank, is higher than previously thought, government officials yesterday admitted.

An investigation by Japan's ministry of finance has shown the bank has Y700bn ($6bn) of potentially problematic loans, Y150bn higher than previously declared by the bank. This figure is in addition to other confirmed bad loans.

The revelation is likely to fuel concern among analysts about the long-term future of the group. Although NCB announced last month that it had Y1,260bn worth of bad debts, many analysts feared this was an underestimate.

NCB yesterday insisted the increase in the potential bad loan estimate reflected a more rigorous definition of problem loans, rather than an actual change in the bank's situation. The ministry insisted the bank still had a viable future and could cope with the losses though future provisions.

The ministry hopes that the conclusion of its investigation into NCB will persuade the rest of the industry to support NCB's Y291bn recapitalisation programme. This envisages that private banks will purchase an additional Y70bn of shares in the group, while life and non-life groups will purchase Y97bn of shares and the Bank of Japan inject some additional capital.

Although the ministry had hoped the scheme could be announced when NCB reports its 1996 results next Monday, agreement on a support package remains difficult.

Most of the other banks have already indicated to the ministry that they would support the recapitalisation scheme, albeit reluctantly. However, the life insurance industry has so far refused to support the scheme, not least because it is trying to put together a separate support package for Nissan Mutual, the life insurance group which became Japan's first failure since the second world war this month.

Some observers hope the life insurance groups will be persuaded to co-operate if the banks promise to help with Nissan Mutual. However, officials point out that any deal is likely to take several weeks to complete.

EU restates its opposition to airline alliance

By Emma Tucker in Brussels, Peter Marsh in London and Richard Tomkins in New York

Mr Karel Van Miert, the European Union competition commissioner, yesterday restated his opposition to the proposed alliance between British Airways and American Airlines at a meeting in London with Mrs Margaret Beckett, the new UK Trade and Industry Secretary.

Mr Van Miert, who does not want to trigger a row with the new Labour government, nevertheless stressed that Brussels – conducting its own probe into the alliance, alongside a British investigation – has grave concerns about the deal's impact on competition.

Separately, BA and US Airways announced an agreement yesterday under which BA will cut its stake in the American carrier from 24.6 per cent to about 18 per cent. BA said last December it planned to sell its shares following the break-up of its transatlantic alliance with US Airways.

BA invested $400m in US Airways (then USAir) in 1993 in the form of three series of convertible preference shares. It is now selling two of the series and part of the third to US Airways for $126.2m, and the rest will be converted to 14.46m shares of US Airways common stock on or before June 3. With US Airways' shares trading at $36¼ yesterday, BA's 18 per cent stake would be worth $522m.

Earlier this year Mr Van Miert made it clear that a refusal by the British government to act on Brussels' concerns about the BA-American Airlines deal would trigger a court action by the commission against the UK.

BA said it was pressing for an urgent meeting with European Commission competition officials to discuss their concerns. "We want to know as soon as possible what these concerns are," BA said.

Mrs Beckett is awaiting a report from the Office of Fair Trade before deciding whether the deal can go ahead. The OFT last year recommended that the alliance be allowed if BA and American surrendered 168 weekly take-off and landing slots at London's Heathrow airport. The EC says these recommendations do not go far enough.

The question of who has jurisdiction to vet the deal, which will create the world's largest airline group, soured relations between the commission and the former Conservative government which was adamant that British authorities had the final word.

The commission said article 89 of the EU treaty gave it the possibility to act where it had concerns about a decision taken by a national authority.

Yesterday, the EC published proposals which will clear up the matter of jurisdiction, giving it clear authority to vet deals between European and third-country airlines.

If agreed, the rules will come too late to catch the BA-AA alliance, and they cannot be applied retrospectively. air

EMI in $30m Bowie deal

By Alice Rawsthorn in London

EMI Music has paid $30m for worldwide distribution rights to the back catalogue of recordings by David Bowie, one of the most influential rock stars of the 1970s.

The deal, among the most valuable given to a rock star, involves 25 albums recorded in the 1970s and 1980s, including *Young Americans*, *Ziggy Stardust*, *Aladdin Sane* and *Diamond Dogs*.

EMI will hold the rights to that material for 15 years from June 30, when ownership of the master tapes, or original recordings, reverts to the artist who has already sold 72m albums in his 30-year career.

Also included in the deal are thousands of hours of unreleased studio recordings and live performances. David Bowie is now sorting through that material to decide whether it is suitable for release, according to Mr Bill Zysblat, his business manager.

The agreement follows the issue earlier this year of a $55m 10-year bond, dubbed the "Bowie bond", against the singer's future royalties. The bond, the first of its kind, will pay an annual coupon, or interest, of 7.9 per cent.

Neither EMI nor Mr Zysblat would comment on the details of the deal. However, it is believed to be composed of an advance payment of $30m plus a $2m bonus to the singer against 27.5 per cent royalties on wholesale sales of his albums in North America, and an equivalent percentage of retail sales elsewhere.

These terms are exceptionally high. Madonna and George Michael receive 20 per cent royalties, and Michael Jackson 22 per cent. It is also unusual for artists to own their master tapes. A clause in David Bowie's 1968 recording contract with RCA – now part of Germany's Bertelsmann – stipulated that ownership should revert to him 10 years after delivery of his final RCA album. Similar clauses were inserted in subsequent contracts. EMI has recently clinched deals with several stars, at a time of speculation about its future ownership.

David Bowie as the self-destructive Ziggy Stardust: Rights to his back catalogue have been bought by EMI for $30m Picture: Retna

Demutualisation is proving turbulent as companies come to market above fair values, writes **Barry Riley**

An emergency response to famine at the Halifax

Demutualisation is proving a somewhat turbulent process as banks and life companies come to the stock market at substantially above their indicated fair value prices. It is happening not only in the UK, but also in Australia, where Colonial Life was capitalised at A$1.9bn this week.

The most basic theory about economics states that a big increase in supply will depress prices. Curiously, however, the reverse is happening in the UK as financial services companies worth maybe £25bn arrive on the stock market.

The key event here will be the listing on June 2 of Halifax, worth around £15bn on the latest estimates. It might be expected to threaten indigestion, and yet the retail banks sector has soared ahead to become this year's best-performing UK stock market sector.

Clearly a massive technical squeeze is going on. Modern institutional investor risk control systems were not designed to cope with a situation in which the big funds start with a zero weighting in leadingstocks. Indeed, it is a nightmare scenario that normal issue methods have been carefully designed to avoid, although there are analogies with new listings where there are large family or corporate holdings, as for instance with BSkyB.

It could easily get worse, because the public received the loud and clear message from the Alliance & Leicester flotation last month that those individuals who sell out immediately get a poor price. In the A & L case the 27 per cent who sold at the outset received a price of 534p, whereas the shares have been trading above 600p this week, after peaking at 655p.

People with Halifax windfalls will now be more tempted to string the big fund managers along.

> People with Halifax windfalls will now be more tempted to string the big fund managers along

These underweighting squeezes were once thought to be mostly confined to index-tracking funds, but now nearly all the big institutional investors have adopted risk control systems that involve using market index weightings, sometimes as proxies for the portfolio weightings of the competitive peer group. So when Halifax floats and the typical UK equity fund picks up some 150 basis points of load difference the red lights will flash and the scramble will be on in earnest.

True, Halifax will not enter the relevant indices for another three weeks after listing. But in fact other already listed stocks have been widely bought as substitutes and hedges, so the bubble has been inflating for some time.

Surely, though, there are simple ways around this kind of problem. For instance, fund managers could programme into their risk models the average institutional exposure to particular demutualised stocks rather than the full market weightings. That would push the problem back to the index-trackers, where it properly belongs.

Some managers, though, stand aloof from the whole undignified process. Take Templeton, one of the leaders in global value management, which has now sold all its investments in banks (except for Citicorp, which is seen as having Latin American appeal).

Its rigorous application of long-term valuation principles has left it not only heavily underweight in financials but with 20 per cent liquidity in global accounts (and 30 per cent in its non-US fund). This approach is widely regarded as highly dangerous by other fund managers. But Mark Holowesko, Templeton's chief investment officer, insists that holding cash is less risky than holding overpriced stocks. Not many fund managers, however, operate nowadays within a performance measurement system where this would be tolerable.

They believe the important risks lie in departing from the weightings of the benchmark or the peer group. Which leads us straight back to the current bizarre squeeze in UK financial stocks.

This can be alternatively seen as a stark illustration of the difference between value investing and momentum investing. Momentum players have enjoyed a tremendous run, but do they have a closing gambit?

When enough investment managers come to believe that being fully weighted in retail banks is indeed more risky than being short of them there will be a painful readjustment.

Investors set to challenge BNP board

By Andrew Jack in Paris

Banque Nationale de Paris, the French banking group, is poised to face a challenge from minority shareholders today over its handling of the acquisition of its partly-owned subsidiary BNP-Intercontinentale.

A group of investors representing more than 10 per cent of the shares in the subsidiary plan to raise a series of questions critical of management at BNP-I's annual general meeting scheduled for this morning.

Their action is the latest in a growing series of challenges over corporate governance launched by financial institutions and individual investors in France, including a two-year battle over the poor performance of CIP, another BNP subsidiary.

The investors, with assistance from Ms Sophie L'Hélias, a French corporate governance consultant who helped co-ordinate a big proxy campaign of individual shareholders in Eurotunnel last year, plan to pose more than 20 questions on BNP-I's strategy and the way BNP has handled its offer of a takeover.

BNP-I holds controlling and minority stakes in a series of financial institutions in financial centres and emerging markets, notably in the Middle East. It took heavy provisions to cover exposure to property development activities.

The minority investors in BNP-I are critical of BNP's recent decision to unveil the details of a buy-out – which offers three BNP shares for each BNP-I share – after the deadline for resolutions for BNP-I's AGM. They are concerned about lack of financial information available on the subsidiary and its strategy.

They are also upset by the lack of independent directors on the board of BNP-I, and will ask how many BNP shares are held by each director, and what efforts will be made to prevent conflicts of interest in any decisions they take.

One institutional investor estimated yesterday that the net asset value of BNP-I was FFr1,200 a share, compared with the offer from BNP at yesterday's closing price of about FFr750.

"To accept BNP's offer would be like jumping out of a Ferrari to get into an old Citroën," he said. "This is the jewel in the BNP crown and they are trying to buy us out as cheaply as possible. The way minority shareholders in France are protected is a real joke."

BNP said last night that the price of its offer had been carefully examined to ensure that it was fair, and argued that it was reasonable that the BNP-I board was controlled by the bank given that it held 70 per cent control. It said the AGM would be open only to shareholders and not to journalists.

Black gold diggers to change SA map

A Gold Fields deal would give Cyril Ramaphosa the seat at helm of industry he has coveted

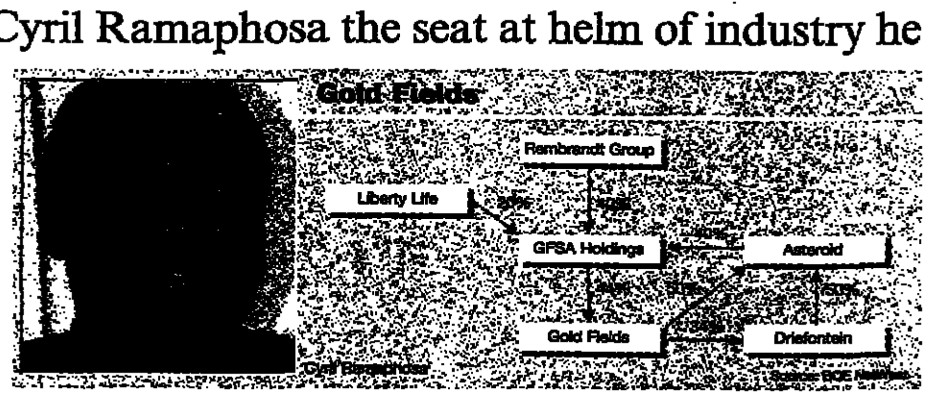
Mr Cyril Ramaphosa, the former secretary-general of the ruling African National Congress and a past president of the National Union of Mineworkers, has long coveted a seat at the helm of the South African mining industry. That ambition was dashed last year when he lost the bid for Anglo American's stake in JCI, the South African gold producer currently in merger talks with Lonrho. But Mr Ramaphosa may yet be grateful for the defeat.

Last week's announcement that his company, New Africa Investments, is in talks to acquire joint control of Gold Fields of South Africa, the world's third largest gold producer, proves he has not been left out in the cold. If successful, the scope and structure of the Gold Fields deal will make it the most spectacular development yet in the country's short history of black empowerment. "You can't even compare this with the other asset transfers," says Mr Barry Seargent, analyst at BoE Natwest in Johannesburg.

The plan now under discussion would give New Africa a 40 per cent stake in Gold Fields' parent company, GFSA Holdings, and herald the dismantling of the group's labyrinthine capital structure. Gold Fields' current market capitalisation is more than 20 per cent below most estimates of its net asset value, a discount which some analysts say reflects disapproval of its current shape.

To date, Gold Fields has resisted pressure to restructure, while its competitors have acted to increase trade in their shares, separate their activities along commodity lines, and offer investors a choice of investment vehicles. As mining houses compete for new capital to extend the life of ailing, deep-level mines and develop the new prospects to replace them, these measures are designed to reduce the discounts to net asset value that have traditionally dogged South African mining stocks. This week's merger talks between JCI and Lonrho is just the latest example of such an initiative.

None of these reforms, however, promise such a profound impact as those now being mooted at Gold Fields. While black ownership may bring political benefits, improved labour relations and productivity gains, the deal is quite distinct from previous asset transfers to promote black economic empowerment.



Mr Ramaphosa, who sits on the Anglo board and is chairman of Johnnic, the industrial group sold by Anglo to black investors in August, is known to favour closer ties between Gold Fields and Anglo

In lieu of a straight disposal, New Africa, and Rembrandt, an industrial group which holds a further 40 per cent of GFSA Holdings, would become joint controlling shareholders in Gold Fields. The proceeds from the sale will go back into the operating companies, and Gold Fields would unwind its current structure which vests 40 per cent of GFSA Holdings in Asteroid, an unlisted company which is believed to be controlled by management.

Asteroid is currently owned jointly by Gold Fields and Driefontein, an operating mine in which Gold Fields has a 34 per cent stake and a management contract which grants it control of Driefontein's balance sheet. Each company is likely to receive about R1bn ($224m) from the sale, although analysts are still guessing at a value for Asteroid, which was created in 1988 to protect Gold Fields from the predatory interest of the Anglo group. Insiders say agreement on a fair value for the group – whose current market capitalisation is R11.7bn – could take up to a year.

"The exciting part is that Gold Fields will no longer own itself," says Mr Jonty Sandler, New Africa chief executive, who estimates the cost of buying Asteroid at "about R2bn". New Africa, South Africa's largest black company where Mr Ramaphosa is deputy chairman, would subsequently form a voting pool with Rembrandt.

The plan is likely to win favour from both Liberty Life, the minority which holds the balance of 20 per cent in GFSA Holdings, and Anglo American, which owns 27 per cent of Gold Fields at an operating level. Mr Ramaphosa, who sits on the Anglo board and is chairman of Johnnic, the industrial group sold by Anglo to black investors in August, is known to favour closer ties between Gold Fields and Anglo.

The benefits of such co-operation are already apparent at Deelkraal mine, where the groups have extended the life of veteran mines by swapping mineral rights to contiguous ore bodies. Closer links could also enhance Gold Fields' other interests – which span gold, coal, platinum and zinc – and possibly help in the development of Gold Fields' Tarkwa gold deposit in Ghana, which is set to become the continent's second biggest gold producer outside South Africa by 2002.

Few Gold Fields shareholders could have anticipated the deal would bring in R2bn of new capital at no cost to the current owners. "It changes the entire mining scene in Africa," says Mr Seargent.

Mark Ashurst

Vattenfall reaffirms Nordic expansion strategy

By Greg McIvor in Stockholm

Vattenfall, the state-owned Swedish power utility, yesterday signalled its determination to continue an aggressive regional expansion strategy, in spite of likely financial curbs on its international activities.

Announcing a FM800m ($155m) bid for Savon Voima, a mid-sized municipal Finnish electricity distributor, Vattenfall said it remained committed to augmenting its presence in Scandinavia and the Baltic republics, which it regarded as its home market.

Vattenfall's capacity to act outside Sweden had been questioned following a government decision in February to harness its profits and electricity generating capacity to the abolition of nuclear power in Sweden.

The company has admitted the burden will constrain its international ambitions. But Mr Anders Hedenstedt, deputy managing director, said yesterday it remained committed to strengthening its position in the liberalised Nordic market.

He saw no inconsistency between its changed role and expanding in Finland: "There is no indication [from the government] that we should not be working on the whole Nordic, and indeed Baltic, market."

Mr Hedenstedt said Vattenfall was seeking to be "fairly big, but not the biggest" in Finland, where the market leader is Imatran Voima (IVO), the Finnish state power utility, with about a 40 per cent share.

Vattenfall controls 50 per cent of the Swedish market and has participated in a wave of restructuring in Scandinavia triggered by deregulation of trade in electricity in Sweden, Norway and Finland last year.

A series of deals has enabled Vattenfall rapidly to build up a 7 per cent share of supplies to Finnish retail customers and around 10 per cent to industrial users.

Vattenfall, which also exports Swedish-generated power to Finland, said that taking over Savon Voima would increase its share of industrial supplies to 13 per cent. The offer depends on a minimum 50 per cent acceptance from the 30 municipalities that own Savon Voima.

Vattenfall said it was exploring opportunities to develop generating capacity in Finland. At the same time, the company is being challenged at home by Nordic rivals such as IVO.

For example, IVO last year built up a 52 per cent voting stake in Gullspangs Kraft, a regional Swedish electricity supplier.

That provoked a tussle with Vattenfall, which only ended yesterday when Vattenfall agreed to sell its stake in Gullspangs to IVO in return for generating capacity in Finland.

EUROPEAN NEWS DIGEST

Finance director for Euro Disney

Euro Disney, operator of the theme park in Paris, yesterday announced a new finance director, more than three months after the abrupt departure of his predecessor. Mr Philippe Misteli is to become finance director and senior vice-president, in a redefined job with greater responsibility than that held by Mr Xavier de Mézerac, who resigned in early February to join Alcatel Alsthom, the French electronics and telecoms group.

The nomination of a replacement for Mr de Mézerac became imperative after the gap in top management created by the resignation of Mr Philippe Bourguignon, the company's chairman, who later the same month took over as head of Club Méditerranée, the leisure group. The departures stretched existing top executives, including Mr Gilles Pélisson, who subsequently took over as chairman from Mr Bourguignon; and who pledged at Euro Disney's annual general meeting in April the rapid appointment of new staff.

The role of finance director will be especially important this year, with the company bracing itself for the maximum additional increase in lease and interest charges agreed under the terms of its financial restructuring in 1994. The extra costs are estimated at FFr200m ($34.79m), which Euro Disney hopes to be able to recover by increasing further visitor attendance and raising spending levels.

Mr Misteli was previously vice-president of strategy at Unilever, the Anglo-Dutch conglomerate.

Andrew Jack, Paris

Redoute buys control of Ellos

Redoute, the mail order arm of Pinault Printemps Redoute, the French retail group, yesterday said it had acquired control of Ellos, the leading mail order company in Sweden, Norway, Finland and Denmark. The company said it had bought 75 per cent of Ellos from Industri Kapital, an investment fund, and had an option to acquire the remaining 25 per cent. Ellos, which employs 1,400 staff and has estimated sales of FFr2.1bn ($365m) for 1997, has a 16 per cent market share in the Scandinavian countries.

The deal represented part of Pinault's strategy to raise the proportion of sales generated outside France to 40 per cent by the end of the century, particularly in its FNAC, Redoute and Rexel subsidiaries. Mr Joel Saveuse, chairman of Redoute, said yesterday mail order sales were far more developed in Northern Europe than in the southern countries, and that other transactions were under consideration.

Andrew Jack

Bank Leumi draws Europeans

European investors have subscribed to buy 80 per cent of a forthcoming offering of Bank Leumi, Israel's second-largest bank, for about $120m. "We received a pre-commitment from foreign institutional investors, mostly Europeans, to purchase 80 per cent, after the recent roadshow in Europe," said Mr Meir Jacobson, general manager of MI Holdings, the government company charged with selling off state-owned banks.

A prospectus will be published today, ahead of the offering at the end of this month. The government hopes to raise $150m in immediate proceeds. An additional $75m will be raised at the end of this year and $75m in August next year, if all warrants are exercised. The shares and warrants together represent 14 per cent of the bank. If all warrants are exercised, the government will reduce its stake in the bank to 68 per cent.

Avi Machlis, Jerusalem

Mol up 50% for quarter

Hungarian oil and gas company Mol yesterday announced record first-quarter net income of Ft12.7bn ($70m), a 50 per cent improvement on the Ft8.4bn reported in the corresponding period last year. Operating profit was Ft20.7bn, compared with Ft14.3bn in 1996. Consolidated sales were up 39 per cent from Ft123bn in 1996 to Ft170bn this time. Mr Mandoki Zoltan, chief executive, attributed the advance to "particularly robust" profits from exploration and production operations and mild January and February weather, which eased demand for imported gas. Mol continues to incur a loss on gas imports because of controlled sales prices.

Kester Eddy, Budapest

Enso optimistic despite 28% fall in first quarter

By Greg McIvor in Stockholm

Enso, the Finnish forestry group, yesterday shrugged off a 28 per cent drop in first-quarter profits, saying paper prices would rise in the second half and full-year profits would be in line with 1996.

Pre-tax profits dipped from FM668m to FM480m ($83.5m) and earnings per share fell from FM2.06 to FM1.36m. But the result was FM130m ahead of expectations and FM119m higher than in the fourth quarter last year.

The first-quarter operating margin of 10.5 per cent was the highest among the big Nordic pulp and paper producers, confirming Enso's relatively strong emergence from a downturn which has savaged the profits of leading European producers in the past 18 months.

The news lifted Enso's most-traded R shares FM0.80 to FM46.90.

Analysts said gains from Enso's merger last year with Veitsiluoto, another Finnish group, had materialised faster than expected. Enso has estimated about FM400m in annual benefits from the tie-up.

Signalling a brighter outlook for the industry, Enso said the strengthening of short-fibre market pulp prices in recent weeks would facilitate paper price increases.

It said the market for publication papers improved in the first quarter following a sharp dip last autumn. A decline in the market for newsprint noted in the latter part of 1996 had bottomed out, and demand in the first three months was good.

The acquisition in April of a 60.4 per cent stake in E. Holtzmann & Cie, a German paper producer, would immediately improve cash flow and lift earnings per share. Profits in 1997 would be "similar" to last year's FM1.7bn, Enso said.

Nevertheless, recovery remains patchy. Demand for packaging board was steady, but prices were lower than last year. Fine paper prices, although up on the end of last year, were still well below last year's average.

Meanwhile, Enso's new fine paper machine in Oulu, which came on stream at the end of April, is likely to burden a market already prone to overcapacity.

Group turnover slipped from FM6.66bn to FM6.48bn in spite of higher volumes and demand. The drop was attributed to lower prices.

Deutsche Bank up sharply in term

By Andrew Fisher in Frankfurt

Deutsche Bank, Germany's biggest, yesterday announced a sharply higher first-quarter result, and said it aimed to achieve a 25 per cent pre-tax return on equity by the end of the century.

Mr Hilmar Kopper, addressing his last annual meeting before handing over the chairmanship to Mr Rolf Breuer, said operating profits after risk provisions rose 21 per cent to DM1.37bn ($802m). Pre-tax profits were 28 per cent higher at DM1.29bn.

"The current year is going well," he said. "We will again be able to report an improved result for the year as a whole." But he cautioned against extrapolating from the first three months for the full year.

Buoyancy in global capital markets was reflected in a 44 per cent rise in financial trading profits to DM1bn. Net commission income, including profits from sales of securities, was 18 per cent higher at DM1.98bn. However, net interest income on basic lending and deposit business was up only 4 per cent at DM2.76bn.

The bank cut loan loss provisions by 29 per cent to DM288m. But costs were up 15 per cent at DM4.25bn, reflecting continued expansion in investment banking.

While Deutsche Bank was one of the largest and broadest-based banks in the world, Mr Kopper said "size and breadth of business are no longer a quality stamp". It would no longer offer every product, everywhere and at any time. But he did not say what activities the bank might shed.

As well as raising the pre-tax return on equity to 25 per cent, against 17 per cent in 1996, Mr Kopper said the aim was also to reduce the cost:income ratio well below 70 per cent. This ratio was 72 per cent last year, comparable with similar international banks.

Goodyear to take majority share in Sava

By Kevin Done, East Europe Correspondent

Goodyear of the US, the world's third-largest tyre producer, is expanding its operations in central Europe with the acquisition of a majority stake in Sava, the Slovenian tyre maker.

The deal, which is understood to be worth in excess of $100m, brings Goodyear into direct conflict with Continental of Germany, a leading European tyre producer, which has held a 27.8 per cent stake in the Sava tyre operations since it acquired Semperit of Austria in the mid-1980s.

The German group refused to comment on the deal yesterday, but said that Sava was currently one of its group brand names.

Goodyear said that it had signed a letter of intent to acquire a 60 per cent stake in the Sava group's tyre operations and a 75 per cent holding in part of its engineered rubber products business.

Mr Janez Bohoriç, Sava group chief executive, said yesterday that Continental had been informed last week of the intended deal with Goodyear.

Sava's 25-year co-operation agreement, originally with Semperit and latterly with Continental, expired last year, said Mr Bohoriç. The two groups had failed to agree on a further arrangement and under the terms of the original contract Sava would now buy out the Continental stake before selling the majority holdings in the two businesses to Goodyear.

The deal is Goodyear's second significant move in central Europe in the past 18 months and follows its acquisition of a majority stake in TC Debica, the Polish tyre maker, where it invested $115m early last year.

The joint venture agreements are due to be signed during the summer and are still subject to final approval by the Goodyear board and by Sava shareholders.

The world's leading tyre-makers are seeking to expand their operations in eastern Europe, which is regarded as one of the high growth regions for the world vehicle industry.

The Sava group, located in Kranj 20 miles north of Ljubljana, the Slovenian capital, is one of the country's 10 largest companies with a workforce of 3,600 and sales of $245m last year, of which $177m was derived from tyres for the car and commercial vehicle sectors.

Goodyear said that the engineered products joint venture would include transmission belts, air springs and hoses.

The two ventures will have a workforce of 2,000.

Mr Bohoriç said the deal had been made with Goodyear because Sava needed "technological and market support from one of the big players" in the industry.

Banks try out New Amsterdam

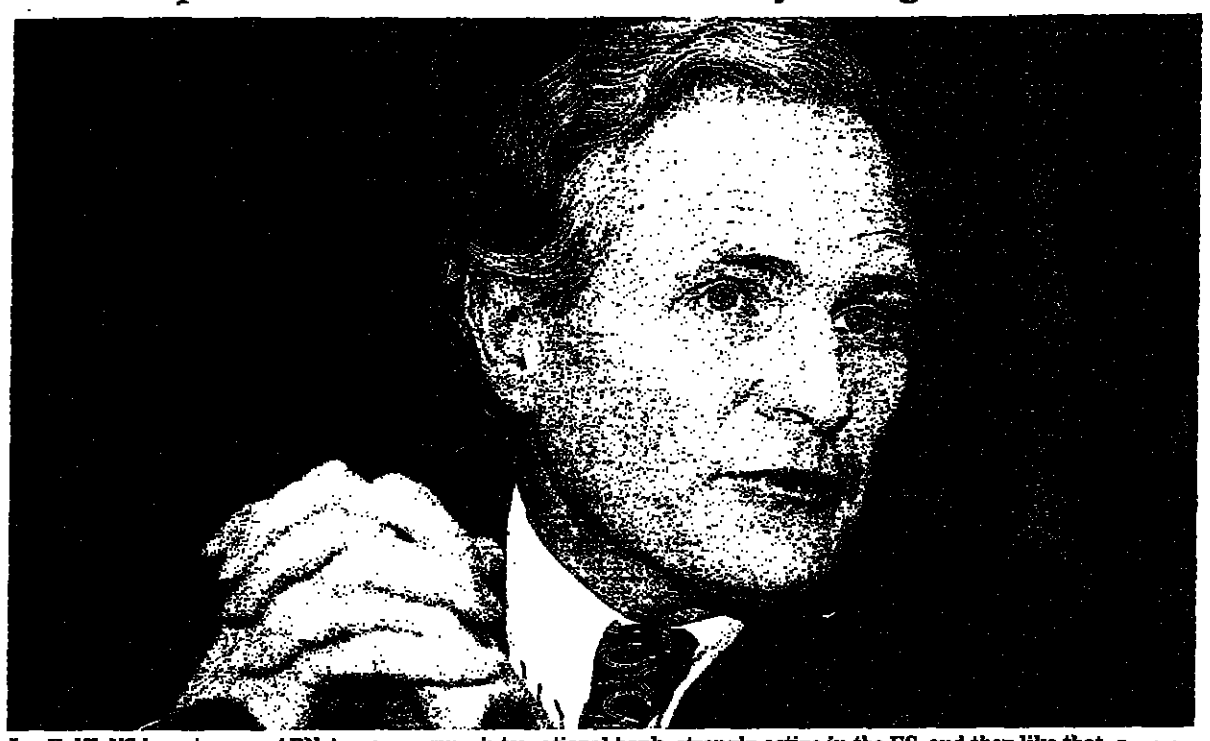
ABN Amro and ING hope to draw more US investors by listing on Wall Street

After a long-delayed and at times difficult Atlantic crossing, Dutch banks are about to unload their first cargoes of shares on Wall Street. ABN Amro, the largest, gains a Big Board quotation today. In its wake follows ING, the insurance and banking combine which yesterday issued the prospectus for its listing on June 13.

The banks will gain admission to the portfolios of many large pension funds whose rules limit them to holdings in US-listed stocks.

Moreover, the two groups will be able to issue scrip in paying for future acquisitions in a market where each is keen to continue building its presence.

ING has made no secret of its ambition to take over a US life assurer, while ABN Amro this month completed the acquisition of Standard Federal, the largest Midwest savings and loan institution with assets of some $15.5bn.



Jan Kalff: US investors see ABN Amro as a very international bank, strongly active in the US, and they like that Tony Andrews

ABN Amro, which regards the Midwest as a second home market, is already the largest foreign bank in the US measured by local assets, which account for Fl 150bn ($78.19bn) of its Fl 595.3bn balance sheet total.

US investors "get the impression of a very international bank, strongly active in the US, and that is an element they like, because at least they understand about a quarter of the bank," Mr Jan Kalff, ABN Amro chairman, said in an interview yesterday before leaving for New York.

Only a handful of European banks have a Wall Street listing. From the UK, only Barclays is present, and no German group has a quote. ABN Amro's arrival thus offers the first chance in a while for some US institutions to gain a more widespread exposure to the international financial sector, especially to the Europe of the single currency.

With monetary union scheduled to start in a little more than a year and a half, ABN Amro has a corporate banking operation in each candidate country and expects to win business away from more nationally focused banks.

However, at the retail level, "there is no European bank," Mr Kalff says, disavowing any idea of creating a pan-Emu presence for individual customers.

Both ABN Amro and ING plan, however, to offer comprehensive trading of the euro.

Both Dutch groups have in recent months bought in their own shares from the market in order to offer some 1 per cent of their capital as American depositary shares without issuing new equity. This is intended as impetus to expand a US shareholder base which already represents close to 10 per cent of their equity.

The journey to official Wall Street status required them to expose some aspects of their accounts to scrutiny for the first time.

Not that these were all bad: through its prospectus ING yesterday made known, for example, that its loan losses grew by less than 6 per cent last year to Fl 3.88bn as the loan book expanded 22 per cent to Fl 216.5bn. Under US accounting practices, 1996 net profits meanwhile were Fl 4.67bn compared with the Fl 3.32bn it accorded itself last month under the Dutch system.

Still, it was far from plain sailing. Just as ABN Amro was announcing its intention to list, Mr Louis de Bièvre quit as head of investment banking and global clients, after concealing an insider dealing case facing his wife.

ING, owner of Barings, had aspired to boost its Wall Street clout by taking full control of its associate, Dillon Read, the US investment bank. Dillon Read, which remains a member of the syndicate offering the ING shares, last week instead walked into the arms of SBC Warburg.

Gordon Cramb

Amexco to focus on key markets

By John Authers in New York

American Express, the US financial services group, is to focus its aggressive international expansion on a group of between 20 and 25 countries, withdrawing from issuing cards directly to clients in the remainder of the 52 countries where it operates.

The plan, part of the group's well-publicised attempt to boost its revenues from outside its US base by between 25 and 30 per cent a year, is to increase the emphasis on franchising and joint ventures outside its core markets.

Mr Tom Ryder, president of the international division, said the group was moving away from its old "lone ranger" policy – of offering all services directly without using any intermediaries – which had left it too thinly scattered.

"Our breadth is too wide. It's a strategic mistake which we are convinced of so we are going to narrow our scope. As a company we will now concentrate our proprietary businesses in 20 to 25 key markets," he said.

The strategy is important for the group. It is under pressure from Wall Street to raise its revenues, which have failed to rise in line with the economy while American Express underwent a series of cost saving exercises. The group has only recently stopped the decline of its US market share.

Outside the US it will attempt to expand by launching new products, including credit cards – rather than its traditional debit card – and cards aimed directly at corporate customers.

Asia will receive the greatest attention, and the group is launching a "blue card" aimed at young women, a segment of the market which it believes has been neglected by financial services institutions. The card is a credit card and includes rewards programmes aimed specifically at women.

Launched first in Taiwan, the blue card was introduced this month in Australia, and American Express last week announced an agreement to launch it in Japan, where it will be offered in conjunction with Credit Saison, a Japanese retail financial services company.

American Express has also made a heavy technology investment in its European corporate card business to allow it to offer expense management systems and record-keeping for travel and entertainment budgets. Mr Ryder added that the group was concentrating on building partnerships

Outside the core markets, American Express is relying on joint ventures, such as its deal with Bank Hapoalim in Israel, and Mr Ryder predicted that a further 40 agreements would be announced with banks in the next few months.

GTE presses home its advantages

Many of its telecom rivals are bogged down by regulation, says Richard Waters

At the heart of the executive suite in GTE's inverted glass pyramid of a headquarters is a large and tranquil water garden. The calm conjures up the image of a complacent company: big, prosperous and not in a particular hurry to get anywhere.

This is an image Mr Charles Lee, chairman, is trying to change. "There's a clock ticking, and we've got to run fast," he says. "We've got to be faster and faster and faster."

But it is likely to be at least two years before his efforts to galvanise the telecommunications colossus can be judged – and it is still far from clear that they will be enough to secure GTE's place in the the reshaped telecoms industry.

For the past 15 months, since Congress set the stage for the deregulation of the US telecoms markets, GTE has had a headstart. Though it is the country's second largest local telephone company, behind the recently-merged SBC Communications and Pactel, it was never a part of the national Bell system, leaving it free of the constraints put on the Baby Bells it most closely resembles.

The advantages are readily apparent. The Justice Department moved last week to block SBC from offering long-distance calls on the grounds that it has not opened its local markets to competition. GTE, not facing that requirement, has signed up 1.2m long-distance customers and expects to break even in this sector by the end of next year.

Mr Lee is trying to turn this short-term advantage to more lasting use. "We've decided we are going to be a growth company," he says.

To do that, GTE announced plans for a nationwide voice and data network and to enter new local markets (about 30 per cent of the US population lives within its wireline or wireless calling areas).

If it works, the push into the faster-growing data business and geographic areas will lift annual revenue growth from 6-8 per cent to 10-12 per cent, the company says. But the cost will be steep: an additional $500m a year in capital spending, and earnings that will stall this year and grow slightly next.

"That cost," says Mr Michael Kelly, chief financial officer, "is the price tag of the game." He believes that as the US markets open, all the Baby Bells will be forced to make similar investments to compete.

GTE's method of assembling its national network is something of a mix-and-match approach, but is none the worse for that. It combines acquisition ($650m for BBN, an internet service company), partnership (with Cisco Systems, to upgrade its data network), joint venture (a $450m agreement to rent capacity on a national network being built by Qwest) and greenfield development (a unit to offer local calling in new markets).

This all contrasts starkly with the acquisition-led approach of WorldCom, a long-distance company which last year combined with MFS, a local exchange provider, and UUnet, the biggest internet service provider. However, following this route – or even buying WorldCom itself – would have been too expensive for GTE, says Mr Kelly.

A second important difference from WorldCom, which has set out to woo large international businesses, is the focus of GTE's ambitions. It believes small and medium-sized businesses, and the most sophisticated residential customers, will remain the more profitable customers.

The impact of this on the profit margins of GTE remains difficult to predict. Certainly there will be short-term costs. GTE argues, however, that overall margins will remain more or less stable for the next five years or so: higher volumes and the growth of more profitable services, such as Caller ID, will make up for the increasing competition in local calling.

GTE may prove more resilient to the first waves of competition than some of its rivals. With disparate local networks in often thinly-populated areas of the country, it has few choice markets for rivals to target.

One side effect of that has been a higher expense base: costs amount to $11.50 per access line, at the top end of the $9.50-$12.25 range of the Baby Bells, says Ms Anna-Maria Kovacs, a telecoms analyst at Janney Montgomery Scott. She adds, though, that this is a fair performance given the type of markets GTE serves.

If the company can pull off the trick of repositioning itself in new markets without any further costs than those it already projects, it should also serve another purpose – to make itself a more attractive partner for foreign telecoms companies wanting to expand in the US.

It is here, though, that GTE's position in a fast-changing world is most open to question. In spite of trawling for partners in western Europe, it has so far failed to pull off any links of note. And, with other international telephone groupings emerging, the lack of such ties begins to look a weakness.

In defence of its international stance, Mr Michael Masin, vice-chairman, says GTE has been pushing to develop regional presences in Asia and Latin America – it has submitted a bid to run Panama's telephone network, for instance, and is watching Brazil's privatisation programme. Among its most significant interests is a 26 per cent stake in CANTV, the Venezuelan carrier it manages.

GTE believes it does not need an intercontinental link like that between British Telecommunications and MCI. "Telecoms is going to become regional – it always follows commerce," says Mr Masin. But if other international telephone giants emerge, GTE's attempts to piece together its national and international networks could come to seem very modest by comparison.

HSN to control ticket service

By Richard Tomkins in New York

HSN, the US home shopping company, yesterday announced plans to take control of Ticketmaster, the biggest US ticketing service, in an all-share transaction worth about $210m.

It said the deal would bring together two companies heavily involved in electronic commerce, producing opportunities for cost savings and expansion – although they would continue to operate independently for now.

HSN will issue 7.2m shares to buy a 47.5 per cent equity stake in Ticketmaster from Mr Paul Allen, the high technology entrepreneur who co-founded Microsoft, the software company, with Mr Bill Gates in 1975.

If necessary, more HSN shares will be issued to ensure that Mr Allen receives stock worth $209m. HSN will also buy Ticketmaster shares on the open market to lift its stake above 50 per cent.

Mr Allen will end up with about 11 per cent of HSN's stock and a seat on its board, effectively swopping his investment in Ticketmaster for a stake in an enlarged HSN headed by Mr Barry Diller, HSN chairman and chief executive and who controls the network.

HSN's Home Shopping Network pioneered the television shopping industry in 1982, displaying products to viewers and inviting them to place telephone orders. It received 60m calls last year and mailed more than 24m packages.

Ticketmaster, which sells tickets for sports, entertainment and cultural events, sells about 60m tickets a year, worth $1.8bn, through a network of 2,500 retail outlets and 16 nationwide telephone call centres.

Mr Diller said: "As all forms of electronic commerce grow, the need for efficient transactional capability will exponentially grow, and we intend to be an aggressive player in offering these services to the thousands of companies that will need them as they develop their own versions of interactive direct commerce."

AMERICAS NEWS DIGEST

Year begins well for US retailers

Strong performance at its Target discount store chain helped push first-quarter results at Dayton Hudson, the US retailer, well above Wall Street expectations. Earnings of $126m, or 53 cents a diluted share – before a charge of nine cents for the redemption of debt – compared with last year's $42m, or 16 cents. Analysts had forecast earnings of 40 cents a share.

Revenues for the quarter rose 9 per cent to $5.89bn. Operating profit at Target surged 88 per cent, to $251m, buoyed by improved margins and a continued reduction in expenses. While group same-store sales rose 4 per cent in the quarter, same-store comparisons at Target increased 6 per cent.

Home Depot, the DIY and home improvement retailer, saw first-quarter net income rise from $195m, or 41 cents a shares, to $259m, or 58 cents, on revenues up 30 per cent to $5.66bn. Comparable store sales for the quarter rose 11 per cent from a year earlier. Mr Bernard Marcus, chairman and chief executive, said the strong sales trend reflected an earlier start to the spring season compared with last year. During the first quarter, Home Depot opened 24 new stores and relocated one. At the end of the quarter, the company operated 536 stores.

AP-DJ, New York

Go-ahead for La Granja mine

Cambior of Canada is to go ahead with the $1.1bn development of the Peruvian La Granja copper deposit it acquired at auction in May 1994. Projected output of 300,000 tonnes of copper a year will make La Granja Peru's second-largest producer after Asarco-owned Southern Peru Copper Corporation.

Since winning the option, Cambior has spent some $25m exploring the deposits in the northern department of Cajamarca. The feasibility study shows reserves of 2.3bn tonnes averaging 0.59 per cent copper. Plans envisage a concentrator plant for 100,000 tonnes of ore a day with another 40,000 tonnes put through a solvent-extraction/electrowinning plant.

La Granja should be on stream by 2002, with cathode production starting in 2004. Sales are projected at $600m a year, rising to $640m in the third year. Cambior, which will be looking for a development partner, plans to build a smelter in the underdeveloped northern port of Bayovar and export copper from there. It will pay Peruvian royalties equivalent to 5 per cent of net sales.

Sally Bowen, Lima

CESSA wins $44m loan

The International Finance Corporation (IFC), the private sector affiliate of the World Bank, is to lend $44m to Cemento de El Salvador (CESSA). Mr Helmut Paul, director Latin America and the Caribbean at the IFC, said a substantial proportion of the loan will be syndicated among the international banking community, marking "the first time that a loan to a wholly-owned Salvadorian company is syndicated in this way". The IFC is also making a $2m equity investment in the company. The money will help it build a new cement line at its plant in the Metapan department and upgrade other facilities. The investments will also enable CESSA to increase its capacity by 55 per cent.

Richard Lapper, Capital Markets Editor

Evergreen sells more stations

Evergreen Media has agreed to sell three of its radio stations to Douglas Broadcasting/Personal Achievement Radio for $18m. Evergreen, which will soon become Chancellor Media, will sell WZHF-AM and WBZS-AM in Washington, DC, and KDFC-AM in San Francisco. The sale of the three stations brings the new Chancellor Media into compliance with FCC ownership limits. Since April 8, the company has announced station sales totalling about $436m.

Reuter, Texas

Japanese trading house reports a full-term deficit for the first time in its near 80-year history

Copper losses put Sumitomo into red

By Bethan Hutton in Tokyo

Copper trading losses have pushed Sumitomo, the trading company, into the red for the first full year in its near 80-year history.

The after-tax loss of Y148.6bn ($1.28bn) compares with the previous year's after-tax profit of Y16.3bn, although the company reported a Y213bn loss for the half-year to September 1996.

Sumitomo had to report an extraordinary loss of Y285.2bn to cover the $2.6bn lost in unauthorised deals made by its former chief copper trader, Mr Yasuo Hamanaka, between 1985 and 1996. The unauthorised trades were not uncovered until last year. Mr Hamanaka is on bail awaiting trial for fraud and forgery in Tokyo and has pleaded guilty to both charges.

The extraordinary loss was partly offset by extraordinary gains of Y46.7bn from selling property and securities.

Copper losses aside, Sumitomo's results were relatively healthy, helped by the weaker yen and low interest rates. Recurring profits rose 145.1 per cent to Y107.7bn, although a large portion of that was due to Y90.3bn of gains from selling shareholdings.

Sales dropped 11.7 per cent to Y12,710.7bn, mainly because of changed accounting rules for precious metal trading. The final dividend will remain unchanged at Y4, making Y8 for the year, also unchanged.

On a consolidated basis, the Sumitomo group – including 436 subsidiaries and 217 affiliated companies – reported an after-tax loss of Y145.6bn, compared with a profit of Y20.3bn the previous year. Group recurring profit rose 115 per cent to Y126.1bn.

Sumitomo expects to return to profit this year with an unconsolidated after-tax profit of Y30bn and a recurring profit of Y40bn.

However, borrowings to cover the copper losses will worsen the company's financial position, in spite of low interest rates.

Mr Tomiichi Akiyama resigned as Sumitomo chairman in February to take responsibility for the scandal. He was followed in March by two directors. Investigations are continuing and could lead to more departures.

Last month a group of Japanese shareholders filed a Y200.4bn suit against Sumitomo for damages caused by Sumitomo's alleged mismanagement, which allowed Mr Hamanaka's activities to go unreported for so long.

Weaker yen boosts the large traders

The weaker yen last year boosted profits for most large Japanese trading companies, but forecasts gave a mixed picture for the year ahead, writes Bethan Hutton.

All-time low interest rates helped improve most trading companies' financial positions last year, but some analysts said forecasts for this year may prove to be over optimistic if the yen continues to strengthen and interest rates rise as expected.

Mitsubishi reported a Y71.3bn ($614m) recurring profit for the year, up 6.6 per cent, while after-tax profits dropped 8.5 per cent to Y22bn, on sales 11.8 per cent lower at Y11,899.5bn.

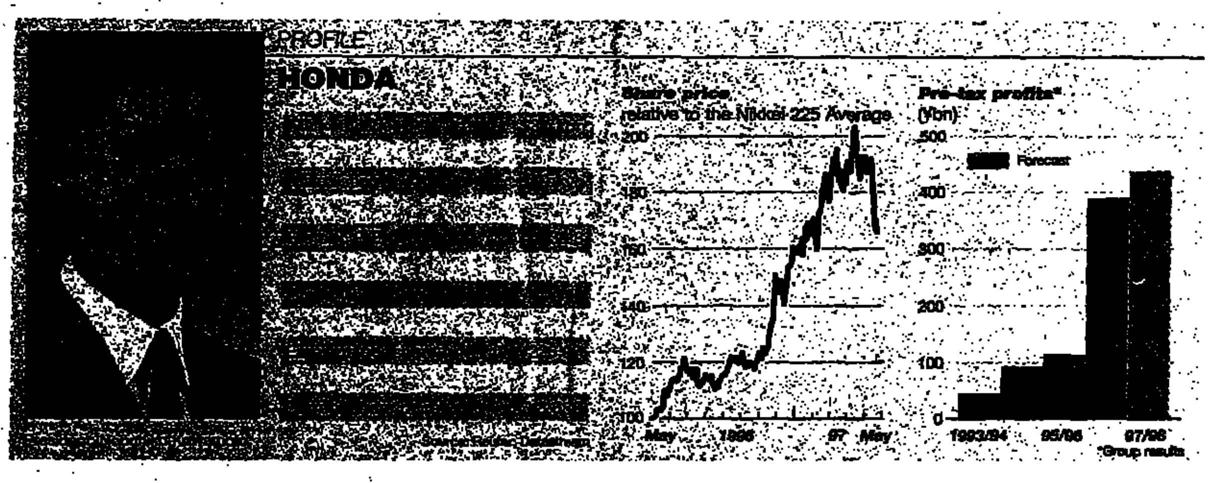
An extraordinary loss of Y36.9bn was partly attributed to continuing problems with forged versions of the pre-paid "pachinko" cards, which are used to pay for popular "pachinko" pinball games. The company said the forgeries cost its part-owned subsidiary, Nippon Leisure Card System, Y23.4bn this year, after Y55bn of losses the previous year.

Marubeni suffered from the poor state of the Japanese stock market with recurring profit dropping almost 60 per cent to Y15.9bn and after-tax profit falling 49 per cent to Y6bn because of losses from stock reappraisal of Y28bn. But for this year Marubeni forecasts a Y46bn recurring profit and Y18bn in after-tax profit.

Recurring profits at Itochu, also known as C. Itoh, climbed 27 per cent to Y51.7bn, and after-tax profit rose 8.4 per cent to Y11.1bn, in spite of an extraordinary charge of Y30.3bn to cover bad debts, and a Y9bn write-off to liquidate a subsidiary. Itochu is expecting lower profits this year, with recurring profits down to Y45bn, and after-tax profits down to Y13bn.

Mitsui Trading said recurring profits rose 6 per cent to Y64.1bn, and after-tax profits were up 8.5 per cent to Y26bn. Sales fell 12.1 per cent to Y13,339.8bn, but Mitsui and other trading companies said lower sales were largely because of changed accounting for precious-metal trading.

Honda sees slower growth after record



By Michiyo Nakamoto in Tokyo

Honda, the Japanese car and motorcycle maker, expects slower growth this year after record sales and profits for the year to March.

Honda's pre-tax profits more than trebled from Y115.1bn to Y390.7bn ($3.36bn) on record sales of Y5,293.3bn, a 25 per cent increase on the year before.

Net profits also reached a record Y221.1bn, from Y70.8bn last year.

The company sold more than 2m vehicles for the first time last year, supported by buoyant demand in Japan for its recreational vehicles, such as the Step WGN and SM-X mini-vans and the Orthia station wagon.

The popularity of these in the domestic market, a newly remodelled Accord and strong demand for its new mini-vehicle, Life, is expected to help Honda bring forward its target of selling 800,000 vehicles in Japan by a year, to next March.

Honda saw unit sales of motorcycles fall slightly but revenues rose 18 per cent partly because of a better product mix.

In overseas markets, Honda enjoyed firm demand, particularly for its Civic in North America, while stronger sales in Europe of vehicles and motorcycles and the weaker yen helped the company post a profit in its European operations.

The yen's weakness also contributed to a Y125bn boost to operating profits after the 14 per cent depreciation in the yen's value against the US dollar during the year. Cost-cutting measures brought an additional Y79.5bn to operating profits.

Honda expects growth to continue this year, although a greater dependence on mini-vehicles, which have lower profit margins, will reduce the rate in revenues and profits.

The company expects to raise its market share from 10.7 per cent last year to 11.3 per cent of the 7.05m units forecast for the overall Japanese market this year.

North American sales are forecast to rise 10 per cent to 1.05m units, mainly on buoyant sales of the CR-V, which was launched in the region in February.

In three months Honda has sold 19,000 units of the CR-V compared with an annual sales target of 50,000. In Europe, the popularity of the Euro Accord, and the five-door Civic, firm sales of the Prelude coupe and the launch of the CR-V mini-van in the summer, are expected to support a 9 per cent increase in sales to 230,000 units this year.

Motorola may fund Alphatec

By Ted Bardacke in Bangkok

Alphatec, the Thai computer chip manufacturer facing a cash crunch after Texas Instruments pulled out of investment plans worth $1.4bn earlier this month, is in talks with Motorola for an injection into the group of between $800m and $1.2bn, Mr Charn Uswachoke, Alphatec chief executive, said yesterday.

Mr Charn said the Motorola investments were contingent on the Thai government also pledging to take stakes in his companies worth another $800m.

Ever since Texas Instruments pulled out, citing Mr Charn's inability to raise financing because of the slump in Thailand's economy and stock market, Alphatec has warned its plans to bring Thailand to the forefront of computer chipmaking could proceed only with both government support and a foreign partner to replace Texas Instruments.

Mr Charn said he and Motorola executives met Mr Chavalit Yongchaiyudh, the Thai prime minister, on Monday to lobby for the government stake. Following that meeting, Mr Korn Dabbaransri, the industry minister, said the government should make it a policy to take equity stakes in important private sector-led electronics projects.

Alphatec has three projects under construction worth $2.3bn but is short of at least $260m in equity and $990m in debt financing.

Mr Charn was not specific on which projects Motorola or the government would invest in but analysts said the size of the mooted investments meant it was likely Motorola was looking at taking stakes in all three projects: the Submicron and Alpha-TI wafer fabrication plants and the Alpha Memory integrated circuit assembly and testing facility.

Mr Charn has said he would not give up majority control of any of these projects.

Submicron, a $900m facility destined to become Thailand's first "wafer fab", is to produce silicon wafers with circuits between 0.35 and 0.5 micron thick. has already been

Alpha-TI, originally scheduled to produce 16-megabit and 64-megabit D-Rams, is in early stages of constructing its more than 100,000sq m of cleanrooms and could be tailored to make any type of chip. Alphatec said last week that the kind of product Alpha-TI would produce depended on its foreign partner.

Citic in HK$8bn syndicated loan

Citic Pacific, the Hong Kong arm of the Chinese government's flagship investment vehicle, yesterday mandated five banks to arrange a HK$8bn (US$1.03bn) syndicated loan, writes Louise Lucas in Hong Kong. Proceeds will be used partly to refinance debts.

The move follows an earlier HK$12.5bn bridging loan taken out in February to help pay for a 20 per cent stake in China Light and Power. In January Citic Pacific agreed to pay HK$16.25bn for the stake in Hong Kong's biggest electricity supplier, and the loan pushed its gearing up to an estimated 70 per cent. It reduced the level earlier this month through the sale of an 8 per cent stake in Hongkong Telecom for HK$11.39bn.

The latest loan is in two tranches. The biggest portion, worth HK$5bn, is a two-year revolving credit with an interest margin of 0.45 per cent. The HK$3bn tranche is a seven-year loan with a margin of 0.5 per cent. The mandated banks are forming a group of arrangers.

ASIA-PACIFIC NEWS DIGEST

Digital copiers lift Ricoh profits

Strong sales of digital copiers supported a 31 per cent rise in group pre-tax profits at Ricoh, the manufacturer of copiers and other office automation equipment. Profits increased from Y49.5bn to Y64.7bn ($557m) on a 18 per cent rise in sales to Y1,316bn. Net profits rose 32 per cent to Y28.9bn.

The strong performance came amid firm sales of digital copiers, which command a higher profit margin than conventional copiers, and that of colour copiers. Sales of copiers, which comprise 63 per cent of overall sales, rose 27 per cent worldwide with much of the growth coming from overseas.

Ricoh also saw an improvement in Gestetner, its UK-based sales company which has been restructured. The company remains independent but its sales offices have been brought under Ricoh's international sales network.

● Casio, the maker of calculators, digital watches and cameras, enjoyed a surge in group profits on the strength of buoyant demand. Sales rose 12 per cent to Y459.1bn ($4bn) while pre-tax profits nearly tripled from Y3.9bn to Y11.5bn. *Michiyo Nakamoto, Tokyo*

ITC advances 29%

ITC, the Indian tobacco conglomerate 32 per cent owned by BAT of the UK, yesterday unveiled a 29 per cent rise in annual pre-tax profits to Rs5.82bn ($163m). Turnover was up 15 per cent to Rs29.99bn while net profits rose 31 per cent to Rs3.43bn. The results were below expectations and ITC shares closed Rs5 down at Rs445. Earnings per share reached Rs13.96, compared with Rs10.64 last year.

The group, which became "circumspect" in international trading after running into big losses and controversies in recent years, raised exports by Rs110m to Rs6.33bn. For most of last year, ITC remained under a cloud as the enforcement agency of the finance ministry alleged that the group siphoned nearly $100m offshore by manipulating invoices for exports and imports. The group said that the "enforcement agency is continuing with the investigation against the company and its past and present officials for alleged violation of certain provisions of the country's foreign exchange regulation Act". The crisis led to a board restructuring with the introduction of two independent directors.

Revenue and profits increased strongly at ITC's hotel business but the group remains concerned about the continuing poor performance of the financial services and paper businesses. The directors approved a capital expenditure programme of Rs19bn over the next five years to reinforce the group's presence in its core areas. *Kunal Bose, Calcutta*

Indian Aluminium profits fall

Indian Aluminium, 35 per cent owned by Alcan of Canada, reported pre-tax profits down 54.5 per cent to Rs679m ($19m) in the year to March 31. The results were worse than most analysts had expected. The fall was blamed on weak prices of aluminium and alumina, a sharp rise in input costs and production loss of around 20,000 tonnes of metal because of a power shortage.

Sales, after adjusting for the transfer of the electronics business to a subsidiary, advanced 2 per cent to Rs11.4bn. Other income was down 47.9 per cent to Rs99.4m. Net profits fell 48.18 per cent to Rs592m and earnings per share were Rs8.32 compared with Rs16.6. The final dividend will be Rs2 a share, making a total for the year of Rs4, the same as in the previous year. *Kunal Bose*

Newcrest plans mine re-vamp

Newcrest Mining, the Australian goldminer, yesterday announced an "interim" restructuring of its large but problematic Telfer mine in Western Australia. It said it would outsource non-core maintenance and service functions at the mine, one of Australia's largest, and cut 126 jobs.

Telfer's operations were hampered by heavy rain earlier this year, which forced them to shut for several weeks. Production slumped 17.4 per cent in the third quarter to just 68,331 ounces. Mr John Quinn, Newcrest's former managing director who quit last week, had talked of the mine producing around 600,000 ounces a year, but most analysts now think it would do well to produce 350,000 ounces in 1996-97. Newcrest's inability to resolve the Telfer issues was cited as one of the possible reasons for Mr Quinn's abrupt departure – formally blamed on unspecified "differences with the board". *Nikki Tait, Sydney*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Cammell Laird ready to announce float

By Tim Burt

Cammell Laird, one of the most famous names in UK shipping, is today expected to announce plans for a stock market listing, becoming the country's first ship repair and conversion yard to do so.

The Merseyside company, formerly a leading builder of warships and cruise liners, is likely to be capitalised at about £20m ($32.4m).

Although the share issue will be fairly modest in international shipping terms, several analysts believe it marks the revival of the UK ship repair industry following the near collapse of commercial shipbuilding in the 1970s and 1980s.

Two years ago, the yard and rights to the Cammell Laird name were sold by VSEL – now owned by GEC – to Coastline Industries, a private company, for £1.9m.

That company, renamed Cammell Laird, has been considering a flotation for more than a year.

Cammell Laird's plans are being monitored by A&P, the country's largest ship repair company, which is itself considering a trade sale or flotation.

The move follows a sharp increase in profitability at both companies, helped by labour costs up to 30 per cent below rivals in continental Europe.

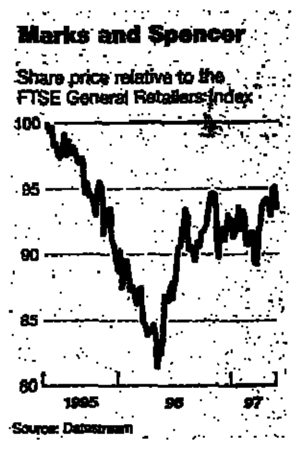
Profits at A&P are thought to have jumped from £3.74m to £10m on increased sales of £130m last year, while profits at Cammell Laird have more than doubled in the past 12 months. Last month, Belfast shipyard Harland & Wolff has also returned to profit for the first time since 1991.

Cammell Laird, where the workforce has been cut from 12,000 in the late 1960s to 250 today, has told institutional investors that increased efficiency should help it win an increased share of the estimated $10.2bn world market for ship repair and conversion.

The company, advised by Beeson Gregory, has already embarked on a £3m expansion programme to treble its dry dock capacity and plans to use flotation proceeds to increase manufacturing facilities at its Birkenhead, Merseyside, yard.

LEX COMMENT

M&S



Marks and Spencer failed yesterday to escape the febrile atmosphere which envelops the retail sector. The shares fell 16½p to 492¼p, mainly on news that sterling's strength will put a £20m dent in profits this year. But there was nothing in the results to dent its reputation as the UK's premier retailer. Indeed, while many of its competitors are buffeted around in the squalls of consumer demand, M&S resembles nothing so much as the proverbial tanker – neither nimble nor daring, but ploughing remorselessly forward. The UK retail operation remains the engine room: clothing, footwear and home furnishing continue to make solid progress, while the company is holding its own in the fiercely competitive food market. The 8 per cent increase in operating profits looks sustainable. While overseas operations and financial services may contribute only 16 per cent of profits, growth rates of about 25 per cent a year are sufficient to bump group profitability into the double digit range.

In the coming year, the currency effect should push this down to about 8 per cent, roughly in line with the market. But the quality of M&S's earnings, and the diversity and transparency of its growth opportunities, warrant the 10 per cent premium rating. Short term, some of the overseas expansion will push down returns. But this seems a small price to pay for the rich prize of developing M&S into a global retailer – a realistic, if medium-term, ambition.

M&S rises 11% to £1bn

Brendan Corr

Sir Richard Greenbury: aims to double stores in Europe

By Peggy Hollinger

Marks and Spencer, Britain's largest clothing retailer, yesterday pledged to continue investing in customer service as it announced record profits of £1.1bn ($1.78bn).

Sir Richard Greenbury, chairman, said the group planned to add 1,700 jobs this year, on top of the 1,700 created last year, to support its rising sales.

To critics who have suggested that the group's substantial investment in service could hold back net margin advances in a difficult market, Sir Richard said: "As long as our shareholders are getting a good return I am proud that we are creating employment."

However, M&S shares edged back 3 per cent, against a retail sector 1.6 per cent lower, as Sir Richard warned that a strong pound would trim £20m from profits this year, because of the growth in overseas business. M&S also flagged a tougher than expected food market, with prices falling by about 1 percentage point. The shares fell 16p to 493p.

Sir Richard announced an 11 per cent jump in pre-tax profits to £1.1bn for the 12 months to March 31, on sales 8.7 per cent up at £7.84bn.

The UK retail division increased operating profit by £64m to £871m on sales 8.4 per cent up at £6.3bn.

M&S also benefited from strong sales growth overseas and said it would be increasingly focusing on growth abroad.

Overseas operating profits rose 23 per cent to £91m on sales 9 per cent ahead to £1.3bn. This was partly helped by a substantial improvement in Brooks Brothers of the US.

Sir Richard said M&S aimed to double the number of stores in Europe to 70. "There is no question that the potential in Europe, and the Far East particularly, is very, very significant," he said.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abacus Polar	6 mths to Mar 31	46.6	(46.6)	4.8	(4.49)	7†	(7.3)	2	July 1	1.8	-	5.5
Acal	Yr to Mar 31	-	(-)	-	(-)	-	(-)	6.4#	June 6	5.65	9.56	8.4
Channel	Yr to Apr 30	-	(-)	-	(-)	-	(-)	1.1#	June 9	0.95	1.65	1.5§
Countryside Props	6 mths to Mar 31	91.4	(78.5)	3.88	(1.03)	4.1	(1.1)	1	Sept 3	0.75	-	2.25
Cranswick	Yr to Mar 31	157.6	(141.8)	4.04	(3.12)	19.5	(15.6)	7.2	Aug 29	6.6	10.2	9.2
Cullen's	53 wks to Mar 2	11	(6.06)	0.494L	(0.361♥)	1.87L	(1.19)	nil	-	0.5	nil	0.5
Deep Sea Leisure Φ	Yr to Feb 28	2.25	(2.08)	0.195	(0.233)	4.07	(1.54)	-	-	-	-	-
Drew Scientific	Yr to Mar 31	2.27	(2.27)	0.172L	(0.058L)	0.7L	(0.2L)	-	-	-	-	-
Eldridge Pope	6 mths to Mar 31	30.9	(28.2)	1.5	(0.956)	5.6	(3.7)	2.12	July 26	1.85	-	5.3
Hozelock	6 mths to Mar 29	22	(20.9)	3.07♥	(3.33)	8.5	(9.2)	3.4	July 16	3.1	-	11
Jarvis Porter	Yr to Feb 28	95.4	(91)	10.4♠	(14.1)	14.6	(20)	5	July 31	4.6	7.35	6.75
Jersey Electricity	6 mths to Mar 30	24.8	(21.8)	2.99	(1.58)	1.59	(0.95)	18‡	Aug 29	16	-	43
London Clubs Intl	53 wks to Mar 30	179.5	(167.4)	35.2♠	(33.3)	16	(15)	5.625	July 31	5.25*	8.25	7.75*
Marks and Spencer	Yr to Mar 31	7,842	(7,234)	1,102	(965.8♠)	26.7	(23.3)	9.7	Aug 1	8.4	13	11.4
Ports & Sunderland	Yr to Mar 29	-	(-)	-	(-)	-	(-)	8.62#	June 9	9.01	12.87	12.87
Prowting	Yr to Feb 28	-	(-)	-	(-)	-	(-)	2.1#	June 9	1.9	4	3.8
Royal Sun Alliance	3 mths to Mar 31	2,305□	(2,409□)	209	(205)	8.7	(9.1)	-	-	-	-	19
Trinity Care Φ	Yr to Mar 31	10.2	(7.18)	0.882♥	(0.713)	16.3	(16.6)	3.4	Aug 11	3.3	5	4.8
UPF	6 mths to Feb 28	31.6	(28.9)	3.77†	(3.13)	7.11	(7.82)	1.7	June 20	1.6	-	4.5
VideoLogic	Yr to Mar 31	14.9	(13.6)	1.54L	(7.52♠)	1L†	(5.4L)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Contra-Cyclical	Yr to Mar 31	36.6	(31.79)	0.795	(0.901)	9.94	(11.26)	2.75	June30	2.75	9.5	9.5
Invesco Blue Chip	Yr to Mar 31	77.57	(66.48)	1.07	(1.23)	8.5	(9.75)	5.495#	-	5.495	8.4	8.4
Undervalued Assets	Yr to Mar 31	163.04	(128.46)	1.78	(2.01)	2.3†	(2.91)	2.35	♦	2.35	2.35	2.35

Earnings shown basic. Dividends shown net except ‡Gross throughout. Figures in brackets are for corresponding period. †On increased capital. #Paid as second interim. §For 13 months. ♠After exceptional charge. ♥After exceptional credit. *Equivalent after adjusting for scrip issue. □Net premiums. ΦAim stock. ‡Third interim; makes 4.5p to date. ★Comparatives restated. ♦Already paid.

Royal & Sun starts buy-back

By Christopher Adams, Insurance Correspondent

Royal & Sun Alliance yesterday began its promised buy-back of up to 5 per cent of its shares. It spent £72.3m ($117m) buying 15.1m shares, which it described as a "satisfactory initial move".

Reporting a 24 per cent rise in first quarter profits, the composite insurer also hinted that cost savings following the £6bn merger that created it last year could exceed a target of £175m. But it showed how vulnerable it was to the fiercely competitive UK insurance market. A jump in subsidence losses took the shine off the rise to £195m (£157m) in operating profits. The pre-tax result was £209m (£205m).

Mr Richard Gamble, chief executive, said Royal & Sun remained on target to achieve the planned savings by 1998 and was shedding 4,800 jobs in the UK. About 1,500 have already left, resulting in annualised savings so far of £44m. The reduction in costs may prove bigger than expected. "But I'm not going to put a figure on that," he said.

A mild winter contributed most to the overall increase in profits as storm-related claims in the US fell £34m. But lack of rain has proved to be a double-edged sword. In the UK, subsidence losses jumped £10m to £26m amid the driest weather for nearly 70 years. The deterioration in the UK underwriting result disappointed some analysts and the shares slipped 8¼p to 481p.

Profits from the life assurance arm rose 26 per cent to £54m. Mr Gamble said the group was considering whether to merge the separate life funds.

Bid costs restrict London Clubs

By David Blackwell

London Clubs International, which in February launched a £192m ($311m) hostile bid for rival casino operator Capital Corporation, last year lifted profits before exceptional items 9 per cent to £37.5m.

Mr Alan Goodenough, chief executive, said the first half had been hit by a shortage of high rolling gamblers at the Ritz casino in October and November. But February and March had more than made up.

The bid for Capital lapsed in April after a referral to the Monopolies and Mergers Commission. On Thursday, both LCI and Capital made presentations to the MMC, which must produce its report by July 7.

Mr Goodenough yesterday described the referral as a hindrance, but said the acquisition had never been critical to group strategy.

The £1.1m exceptional cost of the bid held back pre-tax profits for the 53 weeks to March 30 to £35.2m, up from £33.3m for the previous year.

INTERNATIONAL CAPITAL MARKETS

US Treasuries jump as Fed sits tight

GOVERNMENT BONDS

By Jane Martinson in New York and Michael Lindemann in London

The US Treasury market greeted the Federal Reserve's decision not to change interest rates with initial euphoria. However, this was quickly tempered by concern over whether future rate increases would need to be made.

The benchmark 30-year bond, having risen to 96¾ within five minutes of the decision being made, fell at one point. Some 20 minutes after the announcement, the long bond was trading 1/32 higher at 96 5/32, yielding 6.910 per cent.

Fewer sellers hit the short end of the curve as the market celebrated the let-up in immediate tension.

Earlier, US bond prices had dropped at mid-session as the market fell victim to nervousness ahead of the interest rate ruling.

The 30-year benchmark bond had fallen by 8/16 to 96 1/16, yielding 6.933 per cent. At the shorter end, the two-year note had been down 1/16 to 100¼, yielding 6.286 per cent.

Volume had been relatively low as traders waited for the Fed to announce its decision. Mr Kevin Logan, senior market economist at Kleinwort Dresdner Benson, had said "nobody wants to hold the risk on the day it could happen".

The difference in yield between the two-year and 30-year note had already been hovering around its lowest levels for the year so far at about 65 basis points. Mr Logan had said this spread could fall to about 60 basis points with the yield for the benchmark bond rising back above 7 per cent.

Traders had suggested selling by hedge funds which have taken advantage of the strong dollar against the Japanese yen to buy shorter notes was also behind some of yesterday's downward pressure.

European government bond markets trod water yesterday waiting for the outcome of the Fed committee meeting.

FRENCH OATs were the only leading European bonds to give any ground, settling at the day's low of 129.64, down 0.24 on Monday's close.

Analysts said there was little to explain the drift downwards. "There's been some profit-taking ahead of the FOMC. Some minor positions have been liquidated," said Mr Philip Tyson, European bond analyst at HSBC. "Other than that, everyone was content to remain on the sidelines."

UK GILTS barely moved, in spite of a big turn-out for the auction of £1.5bn of 7 per cent 2002 stock. Cover was 3.03 times and there was no yield tail.

"We expected a tail of a couple of basis points so we were pleasantly surprised," said Mr Edmund Nonis, gilts analyst at Nikko Securities. The auction was small, however, and Mr Nonis warned about reading too much into it.

The June long gilt future settled at 113 15/32, up 1/32 on the day. In the cash market the 10-year yield spread of gilts over bunds tightened 3 basis points to 142 points.

Preliminary May inflation data from five Italian cities was in line with expectations and elicited few reactions from ITALIAN BTPs.

Having jumped to 131.02, the June BTP future settled at 103.89, up 0.12 on the day. The 10-year yield spread of BTPs over bunds tightened 4 basis points to 137 points.

May inflation figures from a further six Italian cities are due today. Yesterday's figures suggested that Italian annual inflation would slow to 1.5 per cent in May, down from 1.7 per cent in April, analysts said.

Traders in SPANISH BONOS were taken aback by a late rally which coincided with the sudden rise in Italian BTPs. "I was a bit surprised... maybe it was just one buyer," said Mr Jose Ramon Arechederra of ABN Amro in Madrid.

Bonos eventually settled at 116.08, up 0.41 on the day. The 10-year yield spread of bonos over bunds touched a new low of 69 basis points before settling at 70 basis points.

Argentina to expand $6bn loan facility

By Ken Warn in Buenos Aires

Argentina is to expand the $6.1bn standby financing facility agreed with international private-sector banks late last year by allowing mortgage notes from local banks to be used as collateral within the programme.

The facility was set up to provide insurance for the banking system against a repeat of the 1995 liquidity crisis which followed Mexico's surprise devaluation in December 1994. It was previously restricted to the use of Argentine government securities as collateral.

Deutsche Morgan Grenfell is in advanced negotiations to act as lead arranger for the extension to the scheme, with an offer to underwrite $500m in additional funding.

Offers from other banks may follow. The changes were announced by Mr Pedro Pou, the president of the country's central bank, in a speech to Argentina's national banking convention.

The central bank created the facility because the country's currency board system, which pegs the peso to the US dollar and requires the monetary base to be backed by international reserves, means the bank is limited in its ability to act as a lender of last resort.

In the 1995 financial crisis about $8bn, or some 18 per cent of total deposits, fled Argentina's financial system.

The bank is eager to keep the facility at about 10 per cent of the financial system's deposit base, which is growing at a rate of 20 per cent a year as the economy remonetises.

However, the central bank is fast running out of bonds to use as collateral and wants to extend the system to other kinds of financial assets.

If drawn, the money would be lent under securities repurchase agreements, and would cost Argentina 2 per cent over London interbank rates.

In addition to bolstering Argentina's defences against financial instability, the measure is intended to help boost and standardise the country's underdeveloped mortgage market.

Mortgage notes – paper issued by local banks backed by individual mortgages – are already negotiable instruments in Argentina, although little used.

Under the new scheme, banks which sell-on their mortgage notes to the central bank for use as collateral will be allowed to offset 50 per cent of the value against their liquidity requirements.

Local banks which participate will also have to use standardised contracts and obey stricter rules for issuing mortgages.

Outstanding loans for housing in Argentina total about $6bn, but are growing at the rate of about $150m a month as banks compete to gain market share.

"The changes give systemic liquidity to a whole new asset class for local banks," said a central bank official.

The original financing scheme, signed in December last year, was led by Chase of the US.

Boost for European high-yield sector

INTERNATIONAL BONDS

By Edward Luce and Samer Iskandar

Europe's fledgling high-yield market was given a boost yesterday with the fourth "junk bond" issue to date and the third to be denominated in D-Marks.

The DM200m subordinated offering, rated B2/B by the agencies, was issued by Impress Metals Packaging, a holding group which includes the metal packaging operations of Pechiney SA and Schmalbach-Lubeca.

Traders said the deal, which follows last week's high-yield issue in eurosterling – offered by Castle Transmission, the UK television company – quickly tightened on the secondary market after launch. Priced to yield 410 basis points over 10-year German bunds, the paper narrowed to a spread of around 377 basis points in afternoon trading.

Officials at Salomon Brothers, sole lead manager of the deal, said the bonds were distributed across a broad range of investors, including European high-yield funds, banks and Swiss retail investors. "This shows that there is a growing market in Europe for European sub-investment grade paper," said one official. "Investors have clearly been doing a lot of homework."

Moody's Investors Service said the DM200m of notes will be deeply subordinated to DM820m in senior Impress debt. The company, which will hold the number two position in the European canning industry, will have "low interest coverage ratios and a modest level of cash flows", according to the rating agency.

Traders said they expected the high-yield market to gather pace now that it has reached four issues.

PAKISTAN returned to the euromarkets with a $300m floating-rate issue lead-managed by Australia and New Zealand Banking Group. Priced to yield 395 basis points above six-month London interbank offered rate, officials said it was trading at re-offer price in the secondary markets after launch. About 10 per cent went to Asian investors, about 15 per cent to offshore US funds, and the rest to European and Middle Eastern investors, said officials.

The bond, Pakistan's first international offering since Mr Nawaz Sharif became prime minister earlier this year, was originally planned for just $100m. "We have had strong investor interest," said an official at ANZ.

The WORLD BANK made its debut in the zloty sector, with 100m zlotys of two-year notes paying a record coupon of 19.5 per cent. Since the zloty is not a convertible currency, coupon payments and redemption will be made in Italian lire. "The deal was a success," said J. P. Morgan, the lead manager. "We sold all our paper and did not buy back any bonds."

The deal was mainly aimed at Italian investors, with roughly a quarter of the amount expected to end up in retail hands.

"Italians are used to double-digit coupons," said a syndicate manager in London. "With BTP yields down to 7 per cent, this deal was a breath of fresh air for them."

However, bankers highlighted the currency risk. "There is no free lunch," said one. "The high coupon is there to compensate high risk."

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Islamic Rep of Pakistan‡	300	(a)	99.90R	May 2000	0.75R	-	ANZ Investment Bank
Atmel(b)§	150	(b1)#	100.00	Jun 2002	2.50	-	Deutsche Morgan Grenfell
Bank of Beirut	50	8.875#	99.884R	Jun 2000	1.00R	+250(6¾%-00)	MECG/Paribas
D-MARKS							
Impress Metal Pkg Hldgs(c,l)	200	9.875#	100.00	May 2007	3.00	-	Salomon Brothers
STERLING							
British Land Co(d,s)§	300	6.50#	100.00	Nov 2007	2.50	-	SBC Warburg
FRENCH FRANCS							
European Inv'ment Bank(e)	500	(e1)	99.44R	Jun 2007	0.325R	-	Société Générale
J Sainsbury‡	300	(f)	100.40R	Jun 2005	0.40R	-	JP Morgan & Co
ITALIAN LIRE							
Mediobanca Intl(g)§	850bn	2.00	(g1)	Jun 2002	2.50	-	Goldman/Medio/Paribas
Eridania Beghin-Say(h)‡	350bn	(h1)	100.00R	Jun 2004	0.25R	-	BCI/Credito/JP Morgan
GREEK DRACHMAS							
Abbey Natl Trsy Services(l)	10bn	8.75	99.95R	Dec 1999	0.15R	-	Credito Italiano
ZLOTYS							
World Bank(j)	100	19.50	100.00R	Jun 1999	0.30R	-	JP Morgan Securities

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 6-mth Libor +395bp. b) Conversion price: $35⅝. Callable after 3 yrs, subject to 140% hurdle, at 102%. b1) 3¼% to yr 3, then 6¼%. c) Callable from 29/5/02 at premium. d) Conversion price: 680p. Callable after 5 yrs at par. Greenshoe: £30m. e) FFr800m launched 14/5/97 was increased to FFr1bn. Callable on 13/6/02 at par. e1) 5.105% to 13/6/02, then 6.70%. f) 4% to 20/6/01, then Tec-10 –23bp. g) Priced later: exchangeable into Alleanza Assicurazioni shares at 12–15% premium. Overallotment option: approx 15%. g1) 85.3–87.3%. h) Includes L150bn increase at 100.27%. h1) 3-mth Libor +25bp. j) All payments in Italian lira. l) Long 1st coupon. s) Short 1st coupon

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	94.0068	+0.130	7.65	7.70	7.96
Austria		5.750	04/07	99.6500	–0.250	5.80	5.71	5.82
Belgium		6.250	03/07	102.6300	–0.260	5.89	5.83	6.03
Canada *		7.000	12/06	103.4000	+0.080	6.51	6.55	6.86
Denmark		8.000	03/06	111.0200	–0.060	6.33	6.30	6.63
France	BTAN	4.750	03/02	100.2082	–0.040	4.70	4.65	4.81
	OAT	5.500	04/07	98.7900	–0.190	5.66	5.58	5.79
Germany Bund		6.000	07/07	101.4200	–0.260	5.81	5.71	5.92
Ireland		8.000	08/06	109.4300	+0.060	6.60	6.57	6.83
Italy		6.750	02/07	97.8800	+0.070	7.05†	7.20	7.55
Japan	No 145	5.500	03/02	116.7705	–0.090	1.74	1.78	1.44
	No 182	3.000	09/05	103.6621	–0.070	2.47	2.50	2.15
Netherlands		5.750	02/07	100.2800	–0.240	5.71	5.61	5.82
Portugal		9.500	02/06	120.4100	+0.120	6.38	6.44	6.82
Spain		7.350	03/07	105.9400	+0.380	6.50	6.55	6.91
Sweden		8.000	08/07	107.4625	–	6.95	7.00	7.22
UK Gilts		7.000	06/02	100–07	+1/32	6.95	6.87	7.29
		7.250	12/07	101–05	–	7.09	6.99	7.64
		9.000	10/08	114–08	–1/32	7.15	7.05	7.73
US Treasury *		6.625	05/07	99–07	–9/32	6.73	6.65	6.91
		6.625	02/27	96–01	–15/32	6.94	6.89	7.12
ECU (French Govt)		7.000	04/06	107.1200	–0.170	5.95	5.91	6.18

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.30
Prime rate	8½	Two month	-	Three year	6.46
Broker loan rate	7¼	Three month	5.36	Five year	6.60
Fed.funds	5⅝	Six month	5.63	10-year	6.74
Fed.funds at intervention	-	One year	5.90	30-year	6.95

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	129.72	129.64	–0.24	129.82	129.52	82,434	165,337
Sep	128.12	128.06	–0.24	128.18	128.00	711	13,960
Dec	97.54	97.48	–0.24	97.54	97.54	2	–

LONG TERM FRENCH BOND OPTIONS (MATIF) (May 16)

Strike Price	Calls Jun	Calls Jul	Calls Sep	Puts Jun	Puts Jul	Puts Sep
127	2.66	1.55	1.94	0.02	0.49	0.89
128	1.71	0.91	1.35	0.07	0.85	1.29
129	0.88	0.45	0.87	0.24	1.38	1.80
130	0.29	0.19	0.48	0.65	-	-
131	0.05	0.06	0.25	1.41	-	-

Est. vol. total, Calls 17,856 Puts 13,485. Previous day's open int., Calls 122,856 Puts 187,609.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	101.59	101.62	+0.06	101.70	101.37	208301	262949
Sep	100.66	100.59	+0.06	100.67	100.35	4034	30996

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
10150	0.29	0.30	0.54	0.71	0.17	1.21	1.45	1.62
10200	0.09	0.18	0.38	0.53	0.47	1.59	1.79	1.94
10250	0.02	0.10	0.26	0.39	0.90	2.01	2.17	2.30

Est. vol. total, Calls 30202 Puts 39591. Previous day's open int., Calls 244482 Puts 300853

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	130.80	130.89	+0.12	131.02	130.54	50854	109581
Sep	131.34	131.48	+0.11	131.55	131.20	1463	11281

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
13050	0.51	2.63	0.12	1.65
13100	0.19	2.33	0.30	1.85
13150	0.07	2.04	0.68	2.06

Est. vol. total, Calls 7744 Puts 7283. Previous day's open int., Calls 108828 Puts 129535

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	115.66	116.09	+0.41	116.17	115.49	82,578	86,263
Sep	114.80	115.31	+0.48	115.36	114.78	776	3,214

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	113-17	113-15	+0-01	113-21	113-07	79729	206326
Sep	113-25	113-23	-	113-28	113-16	3935	14792

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
113	0-40	1-28	1-52	2-06	0-10	0-46	1-06	1-24
114	0-09	0-57	1-19	1-36	0-43	1-11	1-37	1-54
115	0-03	0-32	0-57	1-08	1-37	1-50	2-11	2-26

Est. vol. total, Calls 4870 Puts 8913. Previous day's open int., Calls 78261 Puts 54434

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	95.78	95.74	–0.20	95.76	95.60	560	5,648
Sep	–	95.36	–0.20	–	–	-	-

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	109–28	109–13	–0–16	109–30	109–13	107,593	460,779
Sep	109–16	109–02	–0–14	109–16	109–02	5,131	70,243
Dec	109–03	108–24	–0–12	109–03	108–23	201	25,945

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	124.47	-	-	124.50	124.28	4122	n/a
Sep	123.08	-	-	123.08	122.93	2413	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Tue May 20	Day's change %	Mon May 19	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	120.03	–0.02	120.05	2.02	4.81
2 5-15 years (21)	153.58	0.00	153.58	3.25	3.79
3 Over 15 years (6)	180.15	0.06	180.05	6.09	3.16
4 Irredeemables (5)	205.26	0.25	204.74	0.75	7.10
5 All stocks (51)	147.45	0.01	147.44	3.28	4.19

	Low coupon yield May 20	May 19	Yr. ago	Medium coupon yield May 20	May 19	Yr. ago	High coupon yield May 20	May 19	Yr. ago
5 yrs	6.98	6.96	7.43	7.03	7.02	7.47	7.09	7.06	7.57
15 yrs	7.14	7.14	8.15	7.16	7.17	8.17	7.16	7.28	8.26
20 yrs	7.19	7.19	8.23	7.18	7.18	8.23	7.16	7.30	8.30
Irred.†	7.30	7.32	8.27						

Index-linked	Tue May 20	Day's change %	Mon May 19	Accrued interest	xd adj. ytd
6 Up to 5 years (2)	204.97	0.02	204.93	0.81	3.03
7 Over 5 years (10)	197.48	0.11	197.26	1.18	2.86
8 All stocks (12)	197.20	0.10	197.00	1.13	2.86

	Inflation 5% May 20	May 19	Yr. ago	Inflation 10% May 20	May 19	Yr. ago
Up to 5 yrs	3.37	3.37	2.79	2.89	2.89	1.29
Over 5 yrs	3.58	3.59	3.80	3.36	3.37	3.58

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	May 20	May 19	May 16	May 15	May 14	Yr ago	High*	Low*
Govt. Secs. (UK)	96.72	96.60	96.86	97.32	97.51	92.65	97.51	93.31
Fixed Interest	120.96	120.97	121.53	121.56	121.39	112.2	121.56	115.32

Gilt Edged Activity Indices

	May 19	May 16	May 15	May 14	May 13
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until the end of May.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on May 20

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	97⅝	97⅞	–¼	7.00
Spain 7¼ 03	4000	110⅛	110¼	–⅛	5.18
Volkswagen Intl Fin 7 03	1000	107¾	108¼		5.45
Abbey Natl Treasury 8 03 £	1000	102⅞	102½		7.46
British Land 8⅞ 23 £	150	105⅛	105⅝	+⅛	8.54
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
Treas Cnv 7pc 1997‡‡		6.99	6.26	100 5/32	—	101 5/32	100⅛
Treas 8¾pc 1997‡‡		8.70	6.25	100⅝	—	107 9/32	100⅝
Exch 15pc 1997		14.47	6.27	103 21/32	–1/32	114⅞	102 31/32
Treas 7¾pc 2006‡‡		7.44	7.12	104 5/32	—	107¼	96 15/32
Treas 8pc 2002-6‡‡		7.76	7.20	103 3/32	—	104 3/32	99 13/32
Treas 11¾pc 2003-7		9.68	7.09	121 13/32	–1/32	124 1/32	115⅞
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or –	52 week High	52 week Low
4⅝pc '98‡‡	(135.6)	–	2.47	114 3/32	—	114⅛	112⅝
2½pc '01	(78.3)	2.68	3.36	187 1/32	—	187 13/32	178 1/32
2½pc '03	(78.8)	2.95	3.44	183¼xd	+1/32	184 3/32	173⅞
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

• "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real index-linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

CURRENCIES AND MONEY

Yen rises as Fed makes no move

MARKETS REPORT

By Simon Kuper

The dollar tumbled further late yesterday after the Federal Reserve left US interest rates unchanged following its Open Market committee meeting.

The dollar, which had already fallen sharply in overnight Asian trading, immediately dropped another Y0.75 on news of the meeting to stand at Y112.95 against the yen. That was Y3.25 below its Monday London close. The Fed's announcement sent the dollar falling 1.3 pfennigs against the D-Mark to DM1.6860, 2.1 pfennigs down on Monday's close.

The yen had surged even before the FOMC meeting, on fresh signs that Japan might raise interest rates soon. The currency jumped to Y112 against the dollar after Mr Koko Sato, a senior member of Japan's ruling Liberal Democratic party, said there was growing political support for a rise in interest rates. Low rate levels were "negatively affecting pensioners and could also invite further fund outflow from the domestic financial market to high-yielding overseas assets."

A panel of LDP politicians is due to issue a report within days which will indicate that the low rate climate may also be distorting the financial system. The Bank of Japan's official discount rate has stood at a record trough of 0.5 per cent since September 1995.

The markets largely ignored an attempt by Mr Taku Yamasaki, chairman of the LDP's policy research council, to play down Mr Sato's remark. Mr Yamasaki said now was not the time to discuss the possibility of a rate rise.

Also yesterday, the Japanese trade union confederation said it would soon formally ask the Bank of Japan for a rate rise because low interest rates were hurting pensioners and savers.

The dollar came under further pressure after Mr Robert Rubin, US treasury secretary, repeated that Washington's policy towards the currency was unchanged but failed to reel off his usual mantra that the US supported a strong dollar.

The yen has now gained almost Y15 or 12 per cent against the dollar in the last fortnight, on hopes of a Japanese rate rise and attempts by Tokyo officials to talk down the dollar. The same officials are now trying to support the US currency. Yesterday Mr Eisuke Sakakibara, the senior finance ministry official known as Mr Yen, said: "The pace of the yen's strengthening is too rapid." Japan would "deal appropriately" with excessive volatility. That boosted the dollar somewhat.

The dollar's slide buoyed the Swiss franc, largely because many traders had funded dollar purchases by borrowing the Swiss currency at low interest rates. The Swissie rose from SFr1.428 to SFr1.406 against the dollar, and from SFr0.837 to SFr0.830 against the D-Mark in London.

■ Mr Ron Leven, currency strategist at J.P. Morgan in New York, believes the dollar may stop sliding sooner than many in the market think. The reason, he says, is that many Japanese investors are hedging rather than selling their overseas assets. For instance, rather than disposing of their US Treasuries and repatriating the income, they are selling dollars forward. That means that if they change their view on the yen, they can return to overseas markets simply by buying dollars forward for the same period. "If the Japanese had left the US market completely, it would be much more difficult for them to come back in again," Mr Leven said.

■ Mr Paul Chertkow, head of global foreign exchange research at UBS in London, warned that the dollar could fall through support at Y110 against the yen soon because the market no longer believed the US currency had much upside. The only way Japan could boost the dollar would be by changing policy, he said. Tokyo could hardly cut interest rates, so it would have to encourage Japanese life companies to increase their holdings of overseas assets again, and also to buy Japanese bonds in order to reduce their yields. If the dollar did bounce, many Japanese investors would quickly sell it in order to cut their losses on its recent slide, said Mr Chertkow.

■ Pound in New York

May 20	—Latest—	— Prev. close —
£ spot	1.6435	1.6400
1 mth	1.6327	1.6391
3 mth	1.6411	1.6375
1 yr	1.6348	1.6308

■ OTHER CURRENCIES

May 20	£	$
Czech Rp	49.6949 - 49.8239	30.2060 - 30.2860
Hungary	297.551 - 297.814	180.860 - 180.910
Iran	4938.60 - 4935.60	3000.00 - 3000.00
Kuwait	0.4969 - 0.4973	0.3020 - 0.3021
Poland	5.1742 - 5.1888	3.1450 - 3.1520
Russia	9461.66 - 9470.59	5751.00 - 5753.00
U.A.E.	6.0404 - 6.0473	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

May 20		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.6328	-0.0558	239 - 416	19.7051	19.5732	19.5793	3.3	19.4913	2.9	-	-	102.9
Belgium	(BFr)	57.5668	-0.1595	162 - 170	57.7990	57.4190	57.4116	3.2	57.0966	3.3	55.6666	3.3	102.8
Denmark	(DKr)	10.6225	-0.0271	176 - 274	10.6783	10.5927	10.597	2.9	10.5445	2.9	10.323	2.8	105.4
Finland	(FM)	8.4055	-0.0261	983 - 127	8.4600	8.3830	-	-	-	-	-	-	82.0
France	(FFr)	9.3948	-0.0236	911 - 985	9.4458	9.3703	9.3706	3.1	9.3227	3.1	9.1001	3.1	105.8
Germany	(DM)	2.7893	-0.008	881 - 905	2.8050	2.7798	2.7817	3.3	2.7657	3.4	2.6954	3.4	104.1
Greece	(Dr)	443.823	-1.915	250 - 997	446.470	443.147	-	-	-	-	-	-	65.1
Ireland	(I£)	1.0728	-0.0021	718 - 738	1.0787	1.0700	1.0729	-0.1	1.0719	0.3	1.0649	0.7	99.2
Italy	(L)	2745.44	+2.22	419 - 668	2752.70	2734.21	2747.14	-0.7	2748.54	-0.5	2752.39	-0.3	76.3
Luxembourg	(LFr)	57.5666	-0.1595	162 - 170	57.7990	57.4190	57.4116	3.2	57.0966	3.3	55.6666	3.3	102.8
Netherlands	(Fl)	3.1363	-0.0071	348 - 378	3.1485	3.1261	3.1278	3.3	3.1096	3.4	3.0317	3.3	102.5
Norway	(NKr)	11.6108	-0.032	031 - 181	11.6523	11.4539	11.5801	3.2	11.5206	3.1	11.2746	2.9	97.8
Portugal	(Es)	280.682	-0.483	556 - 809	282.550	279.516	280.532	0.6	280.157	0.7	-	-	93.9
Spain	(Pta)	234.759	-0.766	606 - 913	236.080	234.120	234.589	0.8	234.159	1.0	231.404	1.4	77.8
Sweden	(SKr)	12.4522	-0.1301	422 - 621	12.5617	12.4313	12.4307	2.1	12.3827	2.2	12.1887	2.1	84.5
Switzerland	(SFr)	2.3142	-0.0261	127 - 157	2.3391	2.3102	2.3049	4.8	2.2857	4.9	2.2018	4.9	106.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	99.0
Ecu	-	1.4277	-0.0043	268 - 285	1.4341	1.4249	1.425	2.2	1.4181	2.4	1.392	2.5	-
SDR†	-	1.177129	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6455	+0.0072	447 - 462	1.6505	1.6374	-	-	-	-	-	-	-
Brazil	(R$)	1.7579	+0.0089	572 - 586	1.7621	1.7479	-	-	-	-	-	-	-
Canada	(C$)	2.2596	+0.0119	585 - 607	2.2676	2.2455	2.2533	3.3	2.2419	3.1	2.2001	2.6	84.8
Mexico	(New Peso)	12.9838	+0.0482	757 - 918	13.0049	12.9108	-	-	-	-	-	-	-
USA	($)	1.6457	+0.0071	452 - 462	1.6510	1.6374	1.6449	0.6	1.6432	0.6	1.6374	0.5	101.5
Pacific/Middle East/Africa													
Australia	(A$)	2.1278	+0.0112	264 - 291	2.1379	2.1141	2.1272	0.3	2.1253	0.5	2.1153	0.6	94.2
Hong Kong	(HK$)	12.7361	+0.0548	314 - 408	12.7769	12.6751	12.7302	0.6	12.7195	0.5	12.6848	0.4	-
India	(Rs)	58.8873	+0.2354	488 - 257	59.0930	58.6530	-	-	-	-	-	-	-
Israel	(Shk)	5.5845	+0.0256	771 - 918	5.5918	5.5514	-	-	-	-	-	-	-
Japan	(Y)	187.067	-3.316	944 - 189	189.390	184.610	186.007	6.8	183.997	6.6	175.182	6.4	132.9
Malaysia	(M$)	4.1143	+0.0228	122 - 163	4.1300	4.0837	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3773	+0.0068	757 - 789	2.3814	2.3640	2.3771	0.1	2.3781	-0.1	2.3853	-0.3	112.3
Philippines	(Peso)	43.4012	+0.1885	510 - 514	43.4514	43.3510	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1722	+0.0268	702 - 742	6.1917	6.1412	-	-	-	-	-	-	-
Singapore	(S$)	2.3542	+0.0037	526 - 557	2.3603	2.3386	-	-	-	-	-	-	-
South Africa	(R)	7.3513	+0.0327	466 - 560	7.3876	7.3126	-	-	-	-	-	-	-
South Korea	(Won)	1466.32	+5.55	176 - 088	1470.66	1459.07	-	-	-	-	-	-	-
Taiwan	(T$)	45.7069	+0.2289	856 - 281	45.8565	45.4870	-	-	-	-	-	-	-
Thailand	(Bt)	41.3236	-0.3407	287 - 184	41.9350	41.1340	-	-	-	-	-	-	-

† Rates for May 19. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the Internet at http//www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 20		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	11.9296	-0.0861	280 - 315	12.0135	11.8890	11.9073	2.3	11.8586	2.4	11.6098	2.7	102.6
Belgium	(BFr)	34.9800	-0.25	600 - 000	35.2650	34.8130	34.905	2.6	34.75	2.6	34.01	2.8	102.8
Denmark	(DKr)	6.4547	-0.0447	537 - 567	6.5191	6.4220	6.4429	2.2	6.4182	2.3	6.3062	2.3	104.7
Finland	(FM)	5.1076	-0.0382	047 - 104	5.1619	5.0805	5.0957	2.8	5.0713	2.8	4.9631	2.8	81.4
France	(FFr)	5.7087	-0.0393	082 - 092	5.7649	5.6800	5.697	2.4	5.6743	2.4	5.5592	2.6	105.1
Germany	(DM)	1.6948	-0.0123	947 - 951	1.7120	1.6857	1.6912	2.6	1.6835	2.7	1.6466	2.9	103.6
Greece	(Dr)	269.565	-2.345	420 - 710	272.570	268.740	270.45	-3.9	271.99	-3.6	278.265	-3.2	64.6
Ireland	(I£)	1.5340	+0.0096	330 - 350	1.5390	1.5265	1.5333	0.5	1.5328	0.3	1.5295	0.3	-
Italy	(L)	1868.25	-5.93	800 - 850	1877.50	1856.80	1870.15	-1.4	1872.85	-1.1	1875.12	-0.4	76.3
Luxembourg	(LFr)	34.9800	-0.25	600 - 000	35.2650	34.8130	34.905	2.6	34.75	2.6	34.01	2.8	102.8
Netherlands	(Fl)	1.9058	-0.0126	054 - 061	1.9210	1.8951	1.9017	2.6	1.8931	2.7	1.8526	2.8	102.4
Norway	(NKr)	7.0551	-0.0503	527 - 575	7.1016	6.9510	7.0378	2.9	7.0124	2.4	6.8966	2.4	97.7
Portugal	(Es)	170.555	-1.045	530 - 580	171.000	169.600	170.54	0.1	170.475	0.2	169.165	0.8	94.2
Spain	(Pta)	142.650	-1.09	600 - 700	143.980	141.970	142.65	0.0	142.573	0.2	141.316	0.9	77.4
Sweden	(SKr)	7.5665	-0.1124	627 - 702	7.6685	7.5453	7.5571	1.5	7.5365	1.6	7.442	1.6	83.6
Switzerland	(SFr)	1.4062	-0.0221	057 - 067	1.4280	1.4010	1.4013	4.1	1.3916	4.2	1.3458	4.3	105.1
UK	(£)	1.6457	+0.0071	452 - 462	1.6510	1.6374	1.6449	0.6	1.6432	0.6	1.6374	0.5	99.0
Ecu	-	1.1526	+0.0085	524 - 531	1.1576	1.1450	1.1542	-1.5	1.1576	-1.7	1.1752	-1.9	-
SDR†	-	0.71855	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0001	997 - 000	1.0000	0.9997	-	-	-	-	-	-	-
Brazil	(R$)	1.0682	+0.0008	681 - 683	1.0683	1.0676	-	-	-	-	-	-	-
Canada	(C$)	1.3731	+0.0013	728 - 733	1.3747	1.3705	1.3701	2.6	1.3646	2.5	1.3456	2.0	84.8
Mexico	(New Peso)	7.8895	-0.005	870 - 920	7.8920	7.8810	7.998	-16.5	8.1895	-15.7	9.1945	-16.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	103.2
Pacific/Middle East/Africa													
Australia	(A$)	1.2929	+0.0012	925 - 933	1.2953	1.2929	1.2933	-0.4	1.2934	-0.2	1.2924	0.0	97.2
Hong Kong	(HK$)	7.7390	-0.0009	385 - 395	7.7400	7.7385	7.74	-0.2	7.7414	-0.1	7.7515	-0.2	-
India	(Rs)	35.7825	-0.0125	700 - 950	35.7970	35.7700	35.8725	-3.0	36.1575	-4.2	33.8625	5.1	-
Israel	(Shk)	3.3934	+0.001	899 - 968	3.3968	3.3739	-	-	-	-	-	-	-
Japan	(Y)	113.670	-2.52	630 - 710	115.650	111.980	113.115	5.9	112.01	5.8	107.11	5.8	131.5
Malaysia	(M$)	2.5000	+0.008	995 - 005	2.5037	2.4940	2.5023	-1.1	2.5064	-1.0	2.5233	-0.9	-
New Zealand	(NZ$)	1.4446	-0.0021	440 - 451	1.4451	1.4424	1.4454	-0.7	1.4478	-0.9	1.4579	-0.9	-
Philippines	(Peso)	26.3725	-	500 - 950	26.3950	26.3500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	504 - 506	3.7506	3.7504	3.7508	-0.1	3.7513	-0.1	3.7542	-0.1	-
Singapore	(S$)	1.4305	-0.004	300 - 310	1.4340	1.4258	1.4289	1.4	1.4248	1.6	1.403	1.9	-
South Africa	(R)	4.4670	+0.0005	655 - 685	4.4695	4.4610	4.5065	-10.6	4.584	-10.5	4.882	-9.3	-
South Korea	(Won)	891.000	-0.5	500 - 500	893.500	888.500	-	-	-	-	-	-	-
Taiwan	(T$)	27.7735	+0.0185	690 - 780	27.7860	27.7430	27.7741	0.0	27.7755	0.0	27.7797	0.0	-
Thailand	(Bt)	25.1100	-0.3175	600 - 600	25.4100	25.0010	25.1713	-2.9	25.295	-2.9	25.865	-3.0	-

† SDR rate per $ for May 19. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 19: Base average 1990=100.
The exchange rates printed in this table are also available on the Internet at http//www.FT.com

WORLD INTEREST RATES

MONEY RATES

May 20	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3 3/8	3 3/8	3 1/4	3 3/8	3 1/2	6.00	2.50	-
France	3 1/4	3 3/8	3 3/8	3 13/32	3 15/32	3.10	-	4.75
Germany	2 29/32	3 1/32	3 1/32	3 1/8	3 1/4	4.50	2.50	3.00
Ireland	6 3/8	6 3/8	6 1/4	6 1/4	6 1/4	-	-	6.75
Italy	6 29/32	6 29/32	6 27/32	6 3/4	6 21/32	8.25	6.75	6.79
Netherlands	2 27/32	3	3 1/8	3 1/4	3 3/8	-	3.00	3.30
Switzerland	1 1/4	1 13/16	1 5/8	1 11/16	1 13/16	-	1.00	-
US	5 21/32	5 21/32	5 13/16	5 7/8	6 1/8	-	5.00	-
Japan	7/16	1/2	1/2	9/16	11/16	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 3/4	5 7/8	5 15/16	6 3/16	-	-	-
US Dollar CDs	-	5.57	5.63	5.75	6.04	-	-	-
ECU Linked Ds	-	4 1/16	4 1/8	4 1/8	4 1/4	-	-	-
SDR Linked Ds	-	3 1/2	3 5/8	3 3/4	3 7/8	-	-	-

$ LIBOR Interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 20	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 3/4 - 3 1/4	3 3/16 - 3 1/16	3 1/4 - 3 1/8	3 5/16 - 3 3/16	3 13/32 - 3 9/32	3 5/8 - 3 1/2
Danish Krone	3 21/32 - 3 7/16	3 21/32 - 3 7/16	3 5/8 - 3 1/2	3 5/8 - 3 1/2	3 11/16 - 3 9/16	3 29/32 - 3 25/32
German Mark	3 1/8 - 2 15/16	3 1/8 - 3 1/32	3 1/8 - 2 7/8	3 3/16 - 2 31/32	3 3/16 - 2 15/16	3 3/8 - 3 1/4
Dutch Guilder	2 3/4 - 2 1/2	3 1/8 - 2 29/32	3 1/8 - 2 7/8	3 3/16 - 2 15/16	3 3/16 - 3 1/16	3 15/32 - 3 1/4
French Franc	3 1/4 - 3 1/8	3 7/16 - 3 5/16	3 7/16 - 3 5/16	3 7/16 - 3 11/32	3 15/32 - 3 3/8	3 17/32 - 3 13/32
Portuguese Esc.	5 15/16 - 5 3/4	5 15/16 - 5 3/4	5 29/32 - 5 3/4	5 9/16 - 5 13/32	5 7/16 - 5 11/32	5 3/8 - 5 9/32
Spanish Peseta	5 11/16 - 5 7/16	5 13/16 - 5 5/16	5 13/16 - 5 5/8	5 5/8 - 5 3/8	5 5/16 - 5 3/16	5 3/16 - 5 1/8
Sterling	6 7/16 - 6 5/16	6 7/16 - 6 1/4	6 5/8 - 6 1/4	6 13/16 - 6 5/8	6 5/8 - 6 7/8	6 29/32 - 6 31/32
Swiss Franc	1 5/8 - 1 1/4	1 11/16 - 1 7/16	1 11/16 - 1 7/16	1 13/16 - 1 11/16	1 3/4 - 1 1/2	1 13/16 - 1 13/16
Canadian Dollar	3 1/8 - 2 29/32	3 1/8 - 3	3 1/8 - 3	3 13/32 - 3 9/32	3 5/8 - 3 1/2	4 1/8 - 4
US Dollar	5 5/8 - 5 1/2	5 5/8 - 5 1/2	5 23/32 - 5 19/32	5 27/32 - 5 23/32	6 - 5 7/8	6 5/16 - 6 3/16
Italian Lira	7 11/16 - 6 15/16	6 29/32 - 6 13/16	6 29/32 - 6 31/32	6 31/32 - 6 13/16	6 7/8 - 6 13/16	6 7/16 - 6 11/16
Japanese Yen	11/16 - 1/2	9/16 - 11/32	19/32 - 17/32	9/16 - 7/16	11/16 - 5/8	7/8 - 13/16
Asian $Sing	4 1/8 - 4	5 1/2 - 5	4 7/8 - 4 3/8	4 5/16 - 4 1/16	4 5/8 - 4 1/2	4 11/16 - 4 3/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.51	96.49	-0.03	96.51	96.50	17,949	45,362
Sep	96.53	96.51	-0.04	96.54	96.50	12,153	54,768
Dec	96.50	96.48	-0.03	96.50	96.47	5,765	33,893

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.80	96.80	+0.01	96.81	96.79	9823	235585
Sep	96.74	96.72	-0.01	96.75	96.72	16030	206753
Dec	96.60	96.59	-0.01	96.61	96.58	24998	234818
Mar	96.48	96.45	-0.01	96.48	96.43	31138	202247

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.83	96.82	-	96.83	96.82	170	1525
Jul	-	96.81	-	-	-	0	300
Aug	96.80	96.80	-	96.80	96.80	114	5
Sep	-	96.79	-	-	-	0	3

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.40	93.37	-0.02	93.40	93.35	13838	104879
Sep	93.73	93.71	-0.01	93.73	93.69	8424	90043
Dec	93.85	93.85	-	93.86	93.83	5055	53613
Mar	93.91	93.91	-	93.92	93.89	1627	33851

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.30	98.33	+0.03	98.34	98.28	4567	48735
Sep	98.29	98.33	+0.04	98.34	98.27	15459	44394
Dec	98.15	98.18	+0.04	98.18	98.12	7412	26452
Mar	98.05	98.05	+0.02	98.06	98.04	642	10643

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	99.36	99.36	-	99.36	99.36	50	n/a
Sep	-	99.18	-0.01	-	-	0	n/a
Dec	98.96	98.96	-0.01	98.96	98.96	500	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.85	95.86	-	95.87	95.85	1050	7373
Sep	95.85	95.85	-	95.86	95.84	473	5774
Dec	95.78	95.78	+0.01	95.78	95.75	485	5563
Mar	95.69	95.70	+0.01	95.71	95.68	133	3326

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.17	0.55	0.73	0.05	0.09	0.13
9350	0.05	0.37	0.55	0.18	0.16	0.20
9375	0.01	0.22	0.39	0.39	0.26	0.29

Est. vol. total, Calls 4170 Puts 590. Previous day's open int., Calls 158307 Puts 79427

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 20		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.32	4.845	1.864	4769	5.448	20.17	487.6	407.8	21.63	4.020	1.737	3.925	2.859	325.0	2.480
Denmark	(DKr)	54.19	10	8.844	2.626	1.010	2585	2.953	10.93	264.2	221.0	11.72	2.179	0.941	2.127	1.549	176.1	1.344
France	(FFr)	61.27	11.31	10	2.969	1.142	2922	3.338	12.36	298.8	249.9	13.25	2.463	1.064	2.405	1.752	199.1	1.520
Germany	(DM)	20.64	3.808	3.368	1	0.385	984.3	1.124	4.163	100.6	84.16	4.464	0.830	0.359	0.810	0.590	67.07	0.512
Ireland	(I£)	53.66	9.902	8.757	2.600	1	2559	2.924	10.82	261.6	218.8	11.61	2.157	0.932	2.106	1.534	174.4	1.331
Italy	(L)	2.097	0.387	0.342	0.102	0.039	100	0.114	0.423	10.22	8.551	0.454	0.084	0.036	0.082	0.060	6.814	0.052
Netherlands	(Fl)	18.35	3.387	2.995	0.889	0.342	875.4	1	3.702	89.49	74.85	3.970	0.738	0.319	0.720	0.525	59.64	0.455
Norway	(NKr)	49.58	9.149	8.092	2.402	0.924	2365	2.701	10	241.7	202.2	10.72	1.993	0.861	1.946	1.417	161.1	1.230
Portugal	(Es)	20.51	3.785	3.347	0.994	0.382	978.1	1.117	4.137	100	83.64	4.436	0.824	0.356	0.805	0.586	66.65	0.509
Spain	(Pta)	24.52	4.525	4.002	1.188	0.457	1169	1.336	4.946	119.6	100	5.304	0.986	0.426	0.963	0.701	79.68	0.608
Sweden	(SKr)	46.23	8.531	7.545	2.240	0.862	2205	2.519	9.324	225.4	188.5	10	1.858	0.803	1.815	1.322	150.2	1.146
Switzerland	(SFr)	24.88	4.590	4.060	1.205	0.464	1186	1.355	5.017	121.3	101.4	5.381	1	0.432	0.976	0.711	80.83	0.617
UK	(£)	57.57	10.62	9.395	2.789	1.073	2745	3.136	11.61	280.7	234.8	12.45	2.314	1	2.260	1.646	187.1	1.428
Canada	(C$)	25.48	4.701	4.158	1.234	0.475	1215	1.388	5.138	124.2	103.9	5.511	1.024	0.443	1	0.728	82.78	0.632
USA	($)	34.98	6.455	5.709	1.695	0.652	1668	1.906	7.055	170.6	142.7	7.567	1.406	0.608	1.373	1	113.7	0.867
Japan	(Y)	30.77	5.678	5.022	1.491	0.574	1468	1.677	6.207	150.0	125.5	6.657	1.237	0.535	1.208	0.880	100	0.763
Ecu	-	40.32	7.441	6.581	1.954	0.752	1923	2.197	8.133	196.6	164.4	8.723	1.621	0.701	1.583	1.153	131.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5865	0.5919	+0.0051	0.5945	0.5853	20,146	77,096
Sep	0.5950	0.5952	+0.0044	0.5960	0.5942	275	3,910
Dec	-	0.5984	+0.0035	0.5995	-	2	489

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7027	0.7148	+0.0118	0.7149	0.7113	16,809	44,251
Sep	0.7095	0.7223	+0.0119	0.7223	0.7189	293	2,904
Dec	0.7280	0.7280	+0.0099	0.7280	0.7280	1	428

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8676	0.8900	+0.0217	0.8870	0.8672	16,743	81,934
Sep	0.8848	0.9008	+0.0208	0.9010	0.8848	369	4,147
Dec	0.9050	0.9090	+0.0171	0.9050	0.9050	47	761

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6394	1.6464	+0.0068	1.6492	1.6368	5,879	38,350
Sep	1.6410	1.6440	+0.0068	1.6440	1.6410	77	1,347
Dec	-	1.6400	+0.0056	1.6410	-	1	111

UK INTEREST RATES

LONDON MONEY RATES

May 20	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 1/2 - 6	6 5/16 - 6 3/16	6 3/8 - 6 5/16	6 1/2 - 6 3/8	6 11/16 - 6 9/16	6 15/16 - 6 13/16
Sterling CDs	-	-	6 3/8 - 6 7/32	6 5/8 - 6 3/8	6 1/2 - 6 7/16	6 29/32 - 6 23/32
Treasury Bills	-	-	6 9/32 - 6 5/32	6 15/32 - 6 3/8	-	-
Bank Bills	-	-	6 7/32 - 6 3/16	6 15/32 - 6 3/8	6 5/8 - 6 7/16	-
Local authority deps.	6 - 5 15/16	6 1/8 - 6 1/16	6 9/32 - 6 3/16	6 15/32 - 6 3/8	6 21/32 - 6 19/32	6 31/32 - 6 29/32
Discount Market deps	6 1/4 - 6 1/16	6 1/8 - 6	-	-	-	-

UK clearing bank base lending rate 6 1/4 per cent from May 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2 1/2	5 1/2	5	5	4 3/4

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/4pc. Ave. tender rate of discount on May 9, 6.1061pc. ECGD fixed rate Stlg. Export Finance. Make up day Apr 30, 1997. Agreed rate for period May 26, 1997 to Jun 24, 1997, Scheme III 7.71pc. Reference rate for period Mar 28, 1997 to Apr 30, 1997, Schemes IV & V 6.450pc. Finance House Base Rate 6 1/2pc from May 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.46	93.46	-	93.47	93.45	7908	119872
Sep	93.22	93.22	-	93.23	93.19	12874	111513
Dec	93.03	93.04	+0.01	93.05	93.00	13793	97419
Mar	92.91	92.91	+0.01	92.92	92.87	9426	61472
Jun	92.81	92.81	-	92.82	92.78	4462	43375

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.22	0.12	0.11	0.01	0.15	0.32
9350	0.04	0.04	0.04	0.08	0.32	0.50
9375	0	0.01	0.01	0.29	0.54	0.72

Est. vol. total, Calls 2085 Puts 1550. Previous day's open int., Calls 173259 Puts 172253

EMS EUROPEAN CURRENCY UNIT RATES

May 20	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.755150	-0.00205	-5.45	8.06	37
Portugal	197.398	196.965	-0.552	-0.21	2.40	1
Spain	163.826	164.964	-0.135	0.69	1.48	-5
Finland	5.85424	5.89685	-0.02051	0.73	1.45	-5
Italy	1906.48	1925.65	-3.68	1.01	1.17	-7
Netherlands	2.16979	2.20314	+0.00021	1.54	0.64	-11
Denmark	7.34555	7.46269	+0.00202	1.59	0.59	-11
Germany	1.92573	1.95946	+0.00034	1.75	0.43	-17
Austria	13.5485	13.7918	+0.0025	1.80	0.39	-13
Belgium	39.7191	40.4446	+0.0086	1.83	0.36	-13
France	6.45863	6.60007	+0.00316	2.19	0.00	-18
NON ERM MEMBERS						
Greece	295.269	311.855	-0.49	5.55	-3.18	-
UK	0.793103	0.702912	+0.000308	-11.37	15.30	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
1.630	1.92	2.37	2.80	1.02	1.56	2.17
1.640	1.37	1.85	2.34	1.48	2.04	2.63
1.650	0.95	1.42	1.91	1.06	2.56	3.19

Previous day's vol., Calls 64 Puts 0. Prev. day's open int., Calls 36,365 Puts 36,740

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
0.585	0.62	0.92	1.19	0.49	0.67	0.84
0.590	0.40	0.67	0.96	0.76	0.93	1.09
0.595	0.25	0.47	0.75	1.11	1.25	1.36

Previous day's vol., Calls 33 Puts 1,257. Prev. day's open int., Calls 27,096 Puts 42,303

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.09	94.07	+1.82	94.09	94.07	89,253	464,030
Sep	93.88	93.86	-0.23	93.89	93.86	39,036	463,705
Dec	93.67	93.65	-	93.67	93.64	34,329	342,774

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.70	94.67	-0.03	94.70	94.67	353	5,734
Sep	94.48	94.45	-0.03	94.48	94.45	282	4,889

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
9675	0.06	0.04	0.04	0.05	0.01	0.07	0.07	0.08
9700	0	0.01	0.01	0.01	0.20	0.29	0.29	0.29
9725	0	0	0	0	0.45	0.53	0.53	0.53

Est. vol. total, Calls 3906 Puts 5949. Previous day's open int., Calls 465682 Puts 366471

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9850	0.01	0.06	0.08	0.18	0.23	0.40
9875	0	0.01	0.02	0.42	0.43	0.59

Est. vol. total, Calls 50 Puts 0. Previous day's open int., Calls 2481 Puts 1740

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	●Singer & Friedlander	6.25
Allied Irish Bank (GB)	6.25	Exeter Bank Limited	7.25	●Smith & Williamson Secs	6.25
●Henry Ansbacher	6.25	Financial & Gen Bank	7.00	Scottish Widows Bank	6.00
Bank of Baroda	6.25	●Robert Fleming & Co	6.25	TSB	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	United Bank of Kuwait	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Unity Trust Bank Plc	6.00
Bank of Ireland	6.25	●Hambros Bank	6.25	Western Trust	6.25
Bank of India	6.00	Heritable & Gen Inv Bk	6.25	Whiteaway Laidlaw	6.25
Bank of Scotland	6.25	C. Hoare & Co	6.25	Yorkshire Bank	6.00
Barclays Bank	6.25	Hongkong & Shanghai	6.25		
Brit Bk of Mid East	6.25	Investec Bank (UK) Ltd	6.25		
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Midland Bank	6.25		
Coutts & Co	6.25	NatWestminster	6.25		
Cyprus Popular Bank	6.25	●Rea Brothers	6.25		
		Royal Bk of Scotland	6.25		

● Members of London Investment Banking Association
* In administration

COMMODITIES AND AGRICULTURE

Fall seen in peanut sales from China

By James Harding in Shanghai and Susanna Voyle in London

China's peanut exports are expected to fall by more than one-third this year, as failed harvests last year and shrinking peanut acreage has severely cut national output.

The sharp drop in China's international peanut sales has helped push up prices in the global market, which was already nervous about possible shortages after drought hit the Argentine peanut-growing areas.

The price for US peanuts is now running at around $1,000 a tonne, 15 per cent above the usual price.

The sudden drop in exports from China will further concentrate attention on the US crop, which will have to deliver a healthy harvest between August and October in order to prevent a shortfall in 1998.

Mr Wang Xiaorong, president of China's Chamber of Commerce for Import and Export of Foodstuffs, is expected to announce the cut in exports today.

In a report in the China Daily, the official government newspaper, Mr Wang forecast that China's shelled peanut exports would be less than 200,000 tonnes this year, compared with 330,000 tonnes in 1996. Last year, 200,000 tonnes of Chinese peanuts were sold to Europe, 100,000 tonnes to south-east Asia and 20,000 tonnes to Japan, according to Chinese customs statistics.

Peanut production has fallen in China, where output accounts for 30 per cent of the world's total, partly because farmers are switching from peanuts to cultivate other crops.

"The main reason is that some feeding crops – such as maize and sweet potatoes – enjoy higher per-hectare yield and sell at higher prices," said Mr Wang.

He said operating costs for peanut planting were comparatively high, while profits were lower, "enticing farmers to increase the acreage of lucrative feeding crops".

Serious droughts in peanut growing areas in China – Shandong, Henan and Hebei provinces – had damaged harvests in the past few seasons, made worse by lingering low temperatures and rainy weather in the latter part of the season.

Mr Wang also said less of China's output was available for export as domestic demand has grown, because Chinese people were eating more nuts and using more peanuts to extract oil.

China will maintain its exports to Japan at the usual level, as it was "encouraged by stable prices".

However, the regime for exports to the European Union, for a long time the main buyers of China's nuts, is set to change as the government will impose separate quotas on exports to the EU. Although China already sets quotas for its peanut exporters, there were no details given of the new limits for sales to Europe.

Mr Mark Gravette of Barrow, Lane and Ballard, London-based trader of nuts, said the industry was not really worried yet because it had the US crop to rely on. "But if there is a weather problem in the US then it will be 'hold on to your hats' time," he said. "Prices then could go back to about $2,000 a tonne, the levels of 1980 and 1983 when there were severe shortages."

'Indications' of gold at Busang site

By Bernard Simon in Toronto

Mr Roberto Ramirez (left), one of the 'Mighty Ducks' of Mr Michael de Guzman, Bre-X's ill-fated exploration manager AP

A Filipino geologist who worked at the Busang property in Indonesia insisted yesterday the site contained gold in spite of overwhelming evidence of tampering.

"I am not saying there is a lot of gold there, but there are indications," Mr Bob Ramirez said at a press conference in Manila. He was accompanied by Mr Manny Puspos, another Filipino hired by Bre-X Minerals, the Calgary-based company that controlled Busang.

Bre-X's Filipino workers have come under close scrutiny since an outside audit revealed that ore samples from Busang were tampered with. The adding of gold to the samples – know as salting – is suspected to have taken place at a warehouse down river from Busang.

Many of the Filipinos, including Mr Puspos, were recruited by Mr Michael de Guzman, Bre-X's exploration manager and himself a Filipino. They became known as Mike's Mighty Ducks.

Mr de Guzman fell to his death from a helicopter in mid-March after being summoned to Busang to explain discrepancies in ore samples recovered by New Orleans-based Freeport McMoRan Copper & Gold. Many of the circumstances surrounding his death remain unclear.

Mr Ramirez said yesterday he worked only at Busang, and was not involved in testing samples. Reuters said Mr Puspos barely spoke at the press conference.

The whereabouts of other senior Filipinos at the Busang site, including Mr Puspos' brother Cesar, who was project manager, remains unclear. Mr John Felderhof, Bre-X's chief geologist, has denied participating in the alleged salting, but has so far declined to answer questions about his role.

Mr Ramirez questioned how samples from more than 300 holes drilled by Bre-X could have been tampered with. The audit pointed to a simple but well-organised operation in which grains of alluvial gold were mixed with Busang's volcanic ore.

Bre-X said yesterday events at Busang meant it was currently unable to produce year-end financial statements. It said they "could be some months away from completion".

LME chief to report increased volume

By Michael Peel

The chief executive of the London Metal Exchange will today reveal that the exchange has increased its overall trading volume since last year's copper-trading scandal involving the Sumitomo Corporation.

Mr David King will also predict that the LME will be stronger following implementation of the recommendations made last year by the Securities and Investments Board.

The exchange is the world's largest non-ferrous base metals market. Last year it turned over 47m lots to generate invisible earnings of £250m.

Speaking at the tenth International Copper Conference in Seville, Mr King will say the LME has suffered no loss of clients or members since the Sumitomo scandal. Last June the Japanese trading house said its senior copper trader, Mr Yasuo Hamanaka, had lost $2.6bn in unauthorised dealings.

"The SIB report of December 1996, which the LME requested, identified no significant systemic risks from the way the LME operates," Mr King will say. "The SIB concluded that the London Metal Exchange, and its trading systems, continue to enjoy the support of LME users."

Yesterday Mr King said the LME will have implemented the six recommendations of the SIB by the end of this year. Speaking at the World Tin Conference in Brussels, he said the reforms would give an "all round stronger, safer and more transparent LME".

Turning his attention to tin, he said the industry needed to better inform itself if it was to achieve again the consistent growth it enjoyed in the early 1990s. Turnover on the LME's tin contract has increased by about 1,000 per cent since 1989 but has shown little movement recently from its current level of about 1.1m lots. Mr King said the industry needed to make more use of the LME's tin contract to hedge price risk, set reference prices and provide storage facilities.

He said that next week he would be announcing a new tin committee with more industry representatives to make sure the LME's tin contract matched the industry's needs. He said the suitability of the locations of the LME's 31 tin warehouses in 11 countries was also under review.

Mr Robin Bhar, metals analyst for Brandies Brokers, welcomed the revamp of the contract. "I think it will go some way towards increasing the volume, but that's a difficult thing to do because the tin market is the smallest of the base metals in terms of production and consumption," he said. He added that the LME would do well to educate the industry about the contract. "It's a vicious circle," he said. "People in the industry don't use the contract because they perceive it as having low liquidity. But you don't get liquidity unless people use it."

Palladium at highest for seven years

MARKETS REPORT

By Michael Peel

A scarcity of palladium pushed prices to a seven-year high yesterday. The price was fixed at $179.75 a troy ounce, its highest since April 14 1989, when excitement about the process of cold fusion, which uses palladium as a catalyst, was at its peak.

Analysts were unanimous in identifying the rise as a response to a tightness in the market. "It's been the turning of the screw," said Mr Andy Smith, precious metals analyst for UBS.

"We have lost five months of Russian supply. There was some stock in the West that has now probably been used up. Until the Russian situation opens up it's a classic squeeze."

Ms Rhona O'Connell, analyst for T. Hoare & Co, also thought the rise was indicative of a worldwide shortage of the metal. "About five months ago some palladium was shipped from Tokyo to Zurich to provide liquidity in the Zurich market," she said. "That is now having to be shipped back because of tightness."

She said high interest rates on borrowing palladium had also encouraged traders to buy the metal.

Meanwhile copper prices reached a one-year high of $2,495 a tonne. One analyst suggested the market was anticipating a decision by the US Federal Reserve Board to maintain interest rates at their present level.

Coffee prices in London fell quite sharply early yesterday, but recovered with the July contract ending the day $25 lower at $2,075 a tonne.

Traders said the market was "pausing to catch its breath" after the past few days which saw a blistering rally.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1619.5-20.5	1639-40
Previous	1643-4	1660.5-1.5
High/low		1652/1637
AM Official	1620-21	1638-9
Kerb close		1646-47
Open int.	283,530	
Total daily turnover	90,172	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1473-75	1499-500
Previous	1480-85	1508-10
High/low		1500/1495
AM Official	1470-75	1495-7
Kerb close		1500-10
Open int.	5,123	
Total daily turnover	2,508	

■ LEAD ($ per tonne)

Close	610.5-1.5	622-3
Previous	613.5-4.5	625-6
High/low		625/618
AM Official	605.5-6.0	616-7
Kerb close		624-5
Open int.	37,023	
Total daily turnover	9,141	

■ NICKEL ($ per tonne)

Close	7575-85	7685-95
Previous	7745-55	7855-60
High/low		7820/7650
AM Official	7555-60	7660-65
Kerb close		7690-700
Open int.	49,538	
Total daily turnover	17,194	

■ TIN ($ per tonne)

Close	5710-20	5760-70
Previous	5705-10	5750-60
High/low		5790/5710
AM Official	5665-70	5710-15
Kerb close		5790-800
Open int.	15,036	
Total daily turnover	3,164	

■ ZINC, special high grade ($ per tonne)

Close	1319.5-20.5	1341-42
Previous	1323-4	1344-5
High/low		1354/1332
AM Official	1312-2.5	1335-5.5
Kerb close		1352-54
Open int.	93,001	
Total daily turnover	19,960	

■ COPPER, grade A ($ per tonne)

Close	2525-27	2465-66
Previous	2556.5-8.5	2479-80
High/low	2501/2500	2494/2445
AM Official	2500-1	2450-1
Kerb close		2493-94
Open int.	139,701	
Total daily turnover	55,448	

■ LME AM Official £/$ rate: 1.6439
LME Closing £/$ rate: 1.6460

Spot: 1.6445 3 mths: 1.6422 6 mths: 1.6398 9 mths: 1.6376

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
May	118.10	+1.80	118.40	115.20	446	1,730
Jun	118.15	+1.90	118.25	114.90	266	3,394
Jul	117.85	+2.00	118.20	114.60	6,566	33,573
Aug	115.45	+1.85	115.70	115.00	144	1,722
Sep	113.35	+1.55	113.60	110.80	383	6,286
Oct	111.55	+1.35	111.20	109.70	8	1,011
Total					7,985	60,525

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	342.30-342.80		
Opening	341.30-341.60		
Morning fix	342.50	207.87	481.21
Afternoon fix	343.00	208.26	481.57
Day's High	343.30-343.60		
Day's Low	341.30-341.80		
Previous close	341.50-342.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.85 6 months 4.80
2 months ....4.85 12 months 4.65
3 months 4.82

Silver Fix	p/troy oz.	US cts equiv.
Spot	286.80	471.75
3 months	290.80	477.65
6 months	294.75	483.80
1 year	303.50	496.85

Gold Coins	$ price	£ equiv.
Krugerrand	341-343	207-208
Maple Leaf	-	-
New Sovereign	80-83	49-50

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	342.7	+1.5	–	–	3	2
Jun	343.4	+1.2	344.2	341.3	33,275	56,992
Aug	346.0	+1.2	346.9	344.0	6,285	24,398
Oct	348.8	+1.2	349.1	347.9	128	6,853
Dec	351.6	+1.2	352.5	350.2	956	22,461
Feb	354.3	+1.1	352.1	352.1	437	4,665
Total					41,388	158,638

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	396.0	+4.8	397.9	389.3	2,353	14,254
Oct	398.0	+4.2	397.5	392.0	482	4,240
Jan	397.0	+3.0	397.5	395.0	3	1,159
Apr	399.5	+3.0	395.5	395.5	1	15
Total					2,839	19,668

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	184.25	+3.75	–	–	–	10
Jun	181.75	+3.75	181.90	178.00	1,215	5,723
Sep	179.00	+4.00	178.50	174.50	562	5,966
Dec	179.00	+4.00	176.00	174.50	17	388
Total					1,794	12,182

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	468.3	–0.1	–	–	182	188
Jul	471.3	–	473.5	468.0	13,122	80,044
Sep	476.3	–	478.0	473.5	810	6,298
Dec	483.5	–	485.5	480.0	349	7,311
Jan	485.6	–	–	–	–	17
Mar	491.1	–	492.0	491.5	98	7,570
Total					14,590	98,165

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	21.58	–0.01	21.80	21.20	39,023	21,372
Jul	21.96	+0.06	22.15	21.60	61,851	109k
Aug	21.93	+0.12	22.06	21.60	16,790	43,890
Sep	21.83	+0.17	21.91	20.75	6,358	28,001
Oct	21.70	+0.18	21.75	21.40	2,976	17,014
Nov	21.56	+0.17	21.60	21.25	1,392	16,342
Total					138,847	413,732

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	20.21	+0.05	20.36	19.84	13,066	86,103
Aug	20.23	+0.04	20.36	19.93	5,814	28,236
Sep	20.26	+0.10	20.37	19.94	2,175	10,610
Oct	20.27	+0.15	20.32	19.90	1,470	7,348
Nov	20.19	+0.12	20.19	19.89	400	5,982
Dec	20.16	+0.14	20.22	19.84	1,058	11,621
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	58.00	+0.08	58.55	57.30	7,645	23,672
Jul	58.20	+0.15	58.60	57.50	4,589	35,937
Aug	58.90	+0.45	59.05	58.00	2,060	18,011
Sep	59.40	+0.40	59.40	58.40	702	10,084
Oct	59.55	–	59.80	59.40	557	8,173
Nov	60.20	–	60.65	59.80	432	7,287
Total					18,204	137,836

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	177.75	–	179.00	175.00	8,763	24,544
Jul	179.75	+0.50	180.50	176.75	4,544	12,127
Aug	181.25	+0.25	182.00	178.75	1,171	7,942
Sep	183.00	+0.25	183.25	180.50	366	3,501
Oct	184.75	+0.25	184.00	183.00	347	4,273
Nov	186.00	+0.25	184.75	184.00	384	1,664
Total					12,478	86,466

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	2.240	+0.025	2.250	2.181	22,083	26,974
Jul	2.285	+0.039	2.290	2.220	10,530	32,782
Aug	2.285	+0.027	2.275	2.220	2,927	19,189
Sep	2.250	+0.032	2.250	2.195	1,246	15,991
Oct	2.250	+0.032	2.255	2.200	835	18,289
Nov	2.340	+0.027	2.345	2.295	183	7,819
Total					40,509	205,205

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	65.60	+0.39	66.00	64.70	12,696	33,912
Jul	64.70	+0.36	65.05	63.95	6,135	32,270
Aug	63.75	+0.46	63.95	62.95	1,297	10,029
Sep	62.60	+0.44	62.75	61.90	624	4,622
Oct	60.65	+0.49	60.65	60.65	78	3,173
Nov	59.75	–	–	–	45	1,830
Total					20,916	93,671

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	87.00	–0.50	87.00	86.75	7	71
Jul	88.50	–0.50	88.50	87.00	285	1,778
Sep	91.25	+0.85	90.10	89.95	12	112
Nov	93.25	+0.85	93.25	91.75	509	3,731
Jan	95.00	+0.80	95.00	93.75	62	1,584
Mar	97.25	+0.85	97.00	96.00	63	720
Total					981	8,308

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	381.00	–11.00	390.00	381.00	5	33
Jul	380.50	–14.25	395.50	380.00	12,103	51,445
Sep	388.50	–12.75	402.50	388.00	2,526	13,253
Dec	399.75	–12.75	412.75	399.00	1,408	17,430
Mar	402.25	–10.25	410.00	401.50	177	1,303
May	385.00	–7.00	390.00	385.00	2	16
Total					16,218	83,797

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	287.75	–5.50	293.50	287.50	2,155	1,415
Jul	276.25	–8.25	284.75	276.00	25,592	124,629
Sep	262.75	–5.50	268.25	262.50	1,349	27,720
Dec	260.25	–5.25	265.50	260.00	12,850	112,239
Mar	266.25	–4.25	270.50	266.25	535	11,849
May	270.00	–4.50	274.00	270.00	32	1,182
Total					42,558	288,228

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	86.00	–	–	–	–	5
Sep	88.25	+0.25	–	–	–	29
Nov	90.25	+0.25	90.25	89.50	70	1,070
Jan	92.25	+0.25	92.25	92.25	20	119
Mar	94.25	+0.25	93.50	93.50	5	–
May	96.00	–	–	–	–	–
Total					95	1,223

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	864.75	–2.75	873.50	863.00	1,275	633
Jul	845.00	–21.00	869.25	844.00	39,350	98,635
Aug	817.50	–20.00	840.75	817.00	3,464	21,636
Sep	733.00	–11.00	748.00	732.00	910	8,709
Nov	688.50	–8.75	702.00	688.00	14,261	49,042
Jan	692.75	–7.25	705.00	692.50	426	4,646
Total					59,777	185,405

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
May	23.51	–0.04	23.75	23.47	129	173
Jul	23.19	–0.61	23.83	23.15	11,584	50,189
Aug	23.40	–0.58	24.01	23.40	1,203	14,127
Sep	23.55	–0.56	24.15	23.55	382	8,452
Oct	23.60	–0.55	24.18	23.60	264	8,569
Dec	23.78	–0.6	24.42	23.70	1,576	17,649
Total					15,327	109,399

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
May	304.5	–1.9	308.0	303.5	3,044	976
Jul	285.3	–8.5	292.9	284.7	14,096	51,527
Aug	271.3	–5	277.8	271.0	2,541	15,449
Sep	253.8	–3.2	258.0	252.8	961	9,134
Oct	234.4	–2.9	239.0	234.3	889	9,798
Dec	225.7	–2.8	230.0	224.8	2,997	19,348
Total					24,925	109,804

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	30.0	–	–	–	–	–
Nov	58.0	–	–	–	–	11
Mar	103.0	–	–	–	–	–
Apr	108.0	–3.0	112.0	110.0	56	1,269
May	122.0	–	–	–	–	–
Total					56	1,280

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
May	1295	–5	1311	1295	33	546
Jun	1265	+15	1275	1255	78	386
Jul	1189	+19	1191	1175	109	1,084
Oct	1340	+5	1340	1340	3	504
Jan	1365	+10	–	–	–	57
Apr	1400	+10	–	–	–	–
Total					223	2,577

	Close	Prev
BFI	1283	1284

FUTURES DATA
All futures data supplied by CMS.

Minor metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). **Antimony:** 99.65%, $ per tonne, 2,160-2,250 (2,150-2,275). **Bismuth:** min. 99.99%, tonne lots 3.40-3.70 (3.25-3.55). **Cadmium:** min. 99.95%, cents a pound, 50.00-60.00 (48.00-58.00). **Cobalt:** MB free market, min. 99.8%, 24.50-25.75 (24.75-25.90); min. 99.3%, 21.80-22.50 (21.80-22.80). **Mercury:** min. 99.99%, $ per 76 lb flask, 156-168. **Molybdenum:** drummed molybdic oxide, 4.45-4.60 (4.40-4.60). **Selenium:** min 99.5%, 2.35-2.90. **Tungsten ore:** standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 45-55. **Vanadium:** min. 98%, CIF, 3.75-3.83. **Uranium:** Nuexco unrestricted exchange value, 11.50.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1007	+4	–	–	–	35
Jul	1024	+5	1026	1019	1,681	29,083
Sep	1043	+6	1043	1038	402	14,972
Dec	1034	+2	1035	1031	404	28,688
Mar	1043	+2	1045	1040	785	31,026
May	1053	+1	1054	1051	787	16,055
Total					4,134	140,397

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1469	–8	1483	1457	2,379	31,322
Sep	1495	–9	1509	1493	539	13,549
Dec	1528	–8	1537	1532	31	18,246
Mar	1553	–6	1560	1557	114	20,584
May	1575	–6	1575	1575	480	8,509
Jul	1610	+9	–	–	58	502
Total					3,163	94,654

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
May 19		
Daily	1144.84	1132.99

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	2010	–30	2020	1986	197	433
Jul	2075	–25	2108	2045	2,830	25,962
Sep	2105	–20	2135	2074	1,954	18,032
Nov	2108	–15	2129	2076	691	5,955
Jan	2079	–21	2100	2052	86	2,458
Mar	2054	–26	2060	2040	37	346
Total					5,857	61,205

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	240.25	–6.00	245.00	239.00	4,557	15,329
Sep	214.70	–5.30	218.30	212.50	1,452	7,569
Dec	190.15	–5.50	193.00	189.65	411	5,018
Mar	177.00	–6.00	181.00	177.00	168	1,928
May	169.20	–2.80	170.00	169.00	20	375
Jul	163.05	–0.95	–	–	4	131
Total					6,733	30,538

■ COFFEE (ICO) (US cents/pound)

May 19		Prev. day
Comp daily	185.75	186.84
15 day average	167.98	165.84

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	318.9	+0.5	319.1	318.0	602	12,464
Oct	308.6	+0.4	308.6	308.0	84	6,168
Dec	306.3	+0.3	306.6	306.0	37	1,861
Mar	306.1	+0.4	306.0	305.2	19	1,473
May	306.0	+1.0	–	–	–	683
Aug	305.3	+1.0	305.7	305.7	1	403
Total					743	23,239

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	11.05	+0.07	11.07	10.96	3,853	72,211
Oct	10.84	+0.05	10.84	10.76	1,211	41,083
Mar	10.76	+0.02	10.77	10.71	547	24,392
May	10.68	+0.01	10.68	10.65	85	5,906
Jul	10.64	+0.01	10.63	10.60	5	2,603
Oct	10.55	–0.01	10.55	10.53	–	560
Total					5,661	147,310

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	72.35	–0.03	73.00	72.25	5,225	36,877
Oct	73.90	–0.05	74.40	73.75	149	3,670
Dec	74.77	–0.03	75.20	74.65	1,533	25,266
Mar	76.00	–0.05	76.40	76.15	87	3,641
May	76.68	–0.07	76.60	76.60	10	926
Jul	77.05	–0.15	77.25	77.25	14	313
Total					7,158	72,762

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	82.65	–3.05	85.60	82.00	3,006	16,350
Sep	84.70	–2.95	87.20	84.35	886	7,220
Nov	86.90	–2.80	89.00	86.75	150	3,334
Jan	88.90	–2.60	91.50	89.00	138	1,570
Mar	90.90	–2.65	93.50	91.50	25	1,002
May	92.90	–2.65	95.50	95.25	22	216
Total					4,227	29,750

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

May 20	May 19	month ago	year ago
n/a	2007.6	1950.0	2147.6

■ CRB Futures (Base: 1967 = 100)

May 19	May 16	month ago	year ago
253.14	253.69		

■ GSCI Spot (Base: 1970 = 100)

May 19	May 16	month ago	year ago
201.86	202.94	194.98	207.61

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+2,050	to	761,950
Aluminium alloy	–180	to	62,880
Copper	–475	to	141,110
Lead	–150	to	118,100
Nickel	+1,260	to	50,604
Zinc	–125	to	438,175
Tin	–	to	11,325

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jun	65.150	–0.675	65.775	64.950	4,074	31,196
Aug	65.100	–0.425	65.525	64.925	2,755	36,148
Oct	68.750	–0.250	69.000	68.625	954	17,399
Dec	70.775	–0.225	71.000	70.650	815	9,523
Feb	70.825	–0.250	71.050	70.800	326	5,226
Apr	72.600	–0.275	72.750	72.600	15	1,664
Total					8,939	101,156

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jun	80.825	–0.675	82.050	80.750	4,758	13,252
Jul	82.175	–0.450	83.225	82.075	2,720	10,298
Aug	80.050	–0.200	81.000	79.550	1,222	7,274
Oct	72.900	–0.350	73.650	72.400	360	5,494
Dec	70.275	–0.675	71.225	70.200	200	3,472
Feb	69.375	–0.550	70.100	69.300	53	1,558
Total					9,325	42,463

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
May	89.800	+1.800	91.000	88.700	96	260
Jul	90.550	+1.500	91.900	89.350	2,051	6,411
Aug	89.525	+1.325	91.125	88.800	372	1,728
Feb	75.600	+2.300	77.300	75.200	32	382
Mar	75.000	+2.250	75.750	75.000	1	11
Total					2,551	8,798

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1625	31	75	19	44
1650	19	62	30	56
1675	10	50	47	69
■ COPPER (Grade A) LME	Jun	Sep	Jun	Sep
2400	163	127	3	68
2500	80	78	19	117
2600	27	45	66	181
■ COFFEE LIFFE	Jul	Sep	Jul	Sep
2000	155	263	80	158
2050	128	243	103	188
2100	105	226	130	221
■ COCOA LIFFE	Jul	Sep	Jul	Sep
1000	44	76	20	33
1025	31	62	32	44
1050	20	49	46	56
■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
1950	-	-	25	55
2000	73	78	-	-
2050	39	73	-	-

LONDON SPOT MARKETS

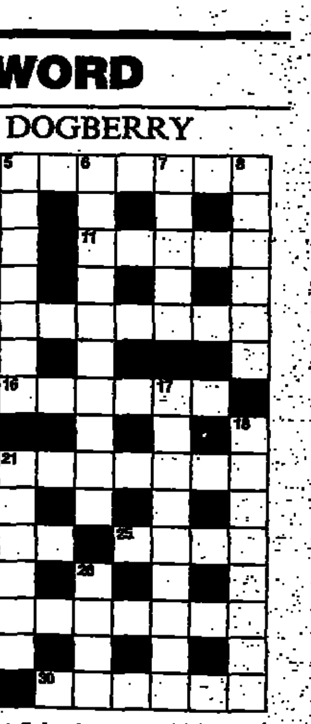
■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$19.28-9.38	+0.205
Brent Blend (dated)	$20.07-0.11	+0.14
Brent Blend (Jul)	$20.18-20.20	+0.04
W.T.I.	$21.92-1.98z	-0.01
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$218-220	+1
Gas Oil	$180-182	-1
Heavy Fuel Oil	$82-84	
Naphtha	$184-186	+1
Jet fuel	$196-198	
Diesel	$189-191	
■ NATURAL GAS (Pence/therm)		
Bacton (Jun)	10.9-11.1	-0.15
Petroleum Argus. Tel. London (0171) 359 8792		
IPE (Jun)	10.850	-0.175
■ OTHER		
Gold (per troy oz)♣	$342.55	+0.80
Silver (per troy oz)♣	470.00c	+1.00
Platinum (per troy oz.)	$392.50	+5.00
Palladium (per troy oz.)	$179.75	+9.75
Copper	122.0c	-1.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.13r	-0.04
Tin (New York)	269.5	
Cattle (live weight)	92.42p	+0.31*
Sheep (live weight)	130.70p	-17.12*
Pigs (live weight)†	105.63p	-4.64*
Lon. day sugar (raw)	$289.00	+0.20
Lon. day sugar (wte)	$323.00	-0.50
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£108.00	
Wheat (US Dark North)	Unq	
Rubber (Jun)♥	72.50p	-0.50
Rubber (Jul)♥	72.50p	-0.50
Rubber (KL RSS No1)	279.5x	
Coconut Oil (Phil)§	650.0y	-20.0
Palm Oil (Malay.)§	550.0z	-5.0
Copra (Phil)§	$425.0y	
Soyabeans (US)	218.0	-5.0
Cotton Outlook'A' index	79.25c	-0.50
Wooltops (64s Super)	415p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w May y May/Jun♥ z Jul London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 525 head of pigs sold.

JOTTER PAD

CROSSWORD

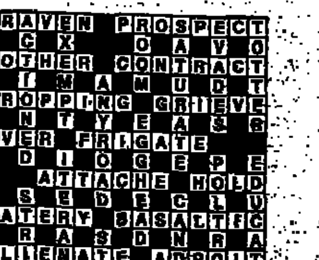
No.9,380 Set by DOGBERRY



ACROSS
1 Aerial fighter for kings seized by enemy king (6)
4 Subordinate should never sit around (8)
10 Carol's about to hang around canoodling (9)
11 Nowadays nothing gets back to her (5)
12 Club-wielder's goal, a grotty place (4)
13 Whispering of one passion I'm in trouble for (10)
15 Rod and pole supply source of easy profit (3-4)
16 Carriage hunt across Italy (6)
19 Black missile that's fallen overboard (6)
21 Note return of fashion queen from emancipation (7)
23 Victorious blast of brass about one name in hat (10)
25 Mark hill and river (4)
27 Where people fought a long time back (5)
28 Journalist's price includes old pupils (not beginner) (9)
29 Ball involving type of county (8)
30 Popular singer's love of strong drink (6)

DOWN
1 Heavy drinker to cause addiction at end of line (4-4)
2 Conviction required of cabbies (9)
3 Every East German's exclamation (4)
5 Selective community officer in charge (7)
6 Rebellious slave-girl's first to know of a car (10)
7 Nun that's convulsed with boredom (5)
8 Pap containing flower: it's part of the service (6)
9 Sublime guess (6)
14 Perfect couple following trick calculation (10)
17 Enticement of pulling-power captivates journalist (9)
18 Cupid's about to get covered with tomato soup (8)
20 Cooper wrote of the last haircut (7)
21 Otherwise enfold and caress (6)
22 Have a go at line of approach (6)
24 Perfect fish on a plate (5)
26 Blue material bellies up (4)

Solution 9,379



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	Init Charge	Notes Selling Price	Buying Price	+ or -	Yield Grs
A$ Accum		A$19.686		+0.002	4.90
ASch Accum		Sch257.82		+0.01	2.10
C$ Accum		C$18.820		+0.001	2.00
DM Accum		DM28.749		+0.002	2.00
DFl Accum		Dfl31.975		+0.002	2.00
ECU Accum		Ecu13.721		+0.001	3.00
FFr Accum		FFr87.595		+0.004	2.10
HK$ Accum		HK$124.80		+0.02	4.90
Lira Accum		L24480		+4	8.10
NZ$ Accum		NZ$41.465		+0.006	6.70
NKr Accum		NKr114.05		+0.01	1.70
S$ Accum		S$26.341		+0.002	2.20
SPta Accum		Pta2838.7		+0.4	4.90
£ Accum		£13.500		+0.002	5.20
SKr Accum		SKr123.22		+0.01	3.00
SFr Accum		SFr29.474		+0.001	0.60
US$ Accum		$24.105		+0.003	4.80
Yen Accum		Y2081.9		—	0.10

Prices for dealing May 20

Jupiter Asset Management (Bermuda) Ltd

PO Box Hm1256, Hamilton, Bermuda 001 809 292 2780

Jupiter Tyndall World Umbrella Fund Ltd

Rothschild Asset Management - Contd.

Five Arrows International Reserves Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
BG	✠W	203xd	+6	204½	134	9,885	8.8	19.9
Centrica		81¼	−1	77½	55	2,717	-	-
International Energy	✠	93½xd	—	100	84½	52.7	5.9	11.5

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Cont.

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

	Notes	Price	+ or -	52 week high	low	Mkt CapSm	Yld Gr's	P/E
Rio Algom	♥	16⅝	–⅜	18⅛	11⅞	708.5	1.9	
Royal Bk Canada C$		28½	–⅜	28¾	14⅜	8,230	2.5	
Toronto-Dom C$		18¼	–⅜	18⅜	11⅛	5,453	2.7	
Trans Can Pipe C$	♥	11⅝	–⅜	12⅜	[illegible]	7,280	4.5	
Western Star Trucks C$		16⅛	–⅜	21⅝	14⅛	165.5	–	

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt CapSm	Yld Gr's	P/E
Anglo Am Ind R		£25	–	£31¼	£20¼	1,816	3.0	ф
Barlow		657	–7	899	654	1,321	2.2	13.6
Gold Flds Prop R	†	135	–2	171½	120	13.6	8.7	10.0
SA Brews		£17¼	–¼	£24½	£13¾	5,198	2.2	ф
Standard Bank		£29¼	–¼	£31¼	£21	3,482	1.2	38.2
Tiger Oats	†	1039	+3	1169	770	1,549	1.8	19.4
Tongaat-Hulett		782	–3¼	1125	678¼	730.1	2.6	ф

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis *assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.*

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas Incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ *Merger bid or reorganisation in progress*
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
j Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

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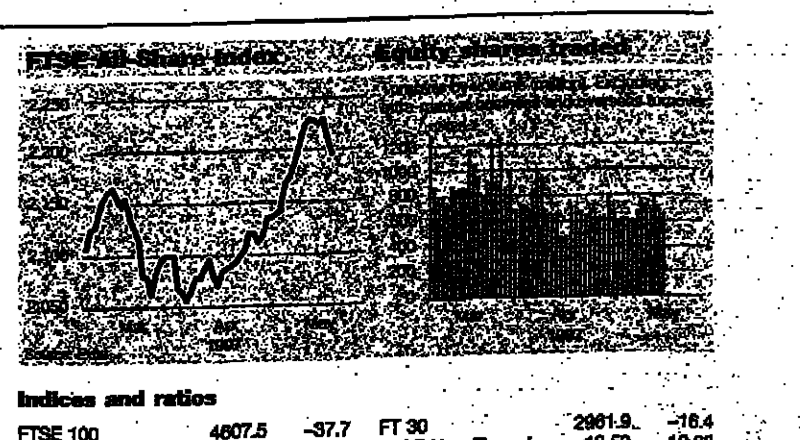
LONDON STOCK EXCHANGE

UK shares unsettled again by US rate fears



MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The negative pressures hitting London stocks continued to build up yesterday, with the market displaying extreme nervousness for the second day running ahead of the outcome of the US Federal Reserve's Open Market Committee meeting.

With big UK institutions once again refusing to get involved in the market until the short term direction of US interest rates is established, it was left to smaller investors and marketmakers to determine trends.

The UK equity market was not helped by the weakness of the dollar, which was viewed as damaging for profits of the big dollar earners.

Equities also refused to respond to the positive outcome of the latest gilts auction, involving the sale of £1.5bn-worth of five-year bonds, which was covered three times. The encouraging result augured well for the auction of a similar amount of 25-year stock tomorrow.

Dealers said London was also becoming increasingly unsettled by the prospect of a tax-raising Budget from the new chancellor, Mr Gordon Brown, possibly as early as June 10.

The FTSE 100 index managed to edge off its lowest levels just before the end of the session but still fell 37.7 to 4,607.5. At its worst, Footsie's hold on the 4,600 level was seriously threatened; it dropped to 4,600.4 before embarking on a modest rally. Over the past two sessions, Footsie has dropped 86.4, or 1.8 per cent.

Other FTSE indices were similarly weak, but held up well in the face of the latest sell-off in the leaders. The FTSE 250 closed 21.4 off at 4,489.0, a two-day decline of 0.8 per cent, while the FTSE SmallCap gave up 7.0 to 2,304.5. The FTSE All-Share index, in which the leaders have a substantial weighting, gave up 15.77, or 0.7 per cent, to 2,196.14.

Wall Street added to London's discomfort yesterday by falling more than 70 points shortly after trading commenced. One London marketmaker said markets on both sides on the Atlantic had become extremely anxious about the response of global markets to any shift in US rates.

"The problem is that investors will remember that Wall Street dipped almost 10 per cent after the March rate rise; if the Fed goes for another 25 basis points the fear is that we'll tumble on the news; on the other hand, if the Fed holds fire, then some in the market think the next move on rates will be a 50 basis points increase," he said.

Turnover came in modestly higher at 740.6m shares, and was split almost 50/50 between FTSE 100 and other stocks. The value of customer business in recent sessions has settled into a range of £2.3bn to £2.9bn.

Although sentiment in UK stocks has turned firmly downwards over the past two sessions, there remains a strong feeling that other potential bids and mergers are in the pipeline and that the big funds are simply waiting for the Budget before pushing cash into the market. "Underneath, this market doesn't feel too bad at all," said one leading dealer.

Indices and ratios

FTSE 100	4607.5	−37.7
FTSE 250	4489.0	−21.4
FTSE 350	2234.8	−16.7
FTSE All-Share	2196.14	−15.77
FTSE All-Share yield	3.52	3.49
FT 30	2961.9	−16.4
FTSE Non-Fins p/e	18.59	18.68
FTSE100 Fut Jun	4610.0	−47.0
10 yr Gilt yield	7.12	7.12
Long gilt/equity yld ratio	2.01	2.09

Best performing sectors

1 Gas Distribution .... +1.9
2 Water .... +0.6
3 Electronic & Elec Equip .... +0.5
4 Oil:Integrated .... +0.4
5 Engineering:Vehicles .... +0.3

Worst performing sectors

1 Life Assurance .... −2.7
2 Household Goods .... −2.3
3 Banks:Retail .... −1.8
4 Insurance .... −1.6
5 Retailers:General .... −1.5

BG up on Shell hints

BG rose sharply in active trade on recent positive first-quarter results and takeover hopes.

Analysts cited a Shell presentation at which the wish to carry out cash acquisitions was reiterated by the company.

Shell currently has an embarrassingly large £8.9bn in cash and short-term securities. According to Mr John Toalster of SocGen, that figure represents a staggering 17 per cent of capital employed and is dragging down the returns.

BG, which owns the pipeline network and the natural gas exploration reserves of the former British Gas, has been seen by some specialists as a possible choice. And, yesterday, comments by Shell that it was concerned about its cash mountain revived that speculation.

However, BG suffers the regulatory restraints of all utilities and Shell is believed to have said it is not interested. More likely is an exploration and production company such as Cairn Energy, with which Shell already has a joint venture arrangement.

Nevertheless, BG was the best performing stock in the Footsie yesterday with a rise of 6 to 203p and had the highest turnover – 16m shares. Shell added 4¼ at £11.55½p but Cairn fell 11½ to 558¼p.

Shares in UK industrial giant British Aerospace tumbled as fears about the prospect of a delay in the Eurofighter project swept through the market.

The retreat came after the company said it could not rule out further delays in the £42bn project, following comments by German defence minister Volker Rühe that Germany may have difficulties in meeting the funding requirements for its share of the development costs.

Sentiment was further hit by news of the UK government's postponement of a decision on the Eurofighter missile system.

Fears about the future of the project emerged two weeks ago but optimists dismissed the negative talk and instead said an announcement that the project is to go ahead would be made at next month's Paris air show.

There was no doubting the mood of gloom that surrounded the stock, and the shares fell 44 or 3.5 per cent to £12.07½p, in busy trade of 5.2m.

Electronic goods retailer Dixons was unloved following a press report that the group could face a formal inquiry by the UK's Office of Fair Trading over alleged "strong-arm tactics".

However, the OFT yesterday moved to dampen speculation that it is about to launch a formal investigation. A spokesman said the report had "overstated" the situation and it was only "considering" information supplied to it. The shares remained under a cloud and by the end of the session had shed 18 to 478p, one of the worst performers in the FTSE 100.

SmithKline Beecham bucked the sector despite big falls on Wall Street, where it is actively held.

Analysts cited "some chunky buying" early in the day. And, as the market closed, SmithKline Beecham said results of two trials showed the company's anti-emetic treatment Kytril was as effective in tablet form as the injectable version in preventing nausea in some chemotherapy patients.

Kytril is one of the more important products in SmithKline's pipeline and the information added to a drip-feed of positive information that has come through recently.

Finally, there were reports of switching out of Glaxo Wellcome following the latter's annual meeting on Monday. SmithKline gained 21 to £10.40½p while Glaxo shed 20 to £12.31½p.

Chiroscience rose in early trading following the announcement of a deal with Powderject, a new-technology drug delivery company, to develop painless anaesthetic injections. However, the shares were dragged back by the market to end the day 3 off at 293½p.

Other biotechs were higher. Celltech advanced 7½ to 630p in anticipation of imminent news on its septic shock treatment. And Cortecs International gained 11 to 222½p on talk of a recommendation from one Japanese broker.

Lasmo added 3 at 246½p after an upbeat statement on its exploration programme in its presentation to the industry at the North American Petroleum Institute meeting.

Also, Panmure Gordon reiterated its buy recommendation. It particularly likes Lasmo's bigger international spread compared with Enterprise, which fell 11¼ to 667p.

Royal & Sun Alliance slipped 8½ to 481p as comfortable first-quarter figures were offset by a lack of early news about a share buy-back.

Royal & Sun received permission from its shareholders recently to carry out a share re-purchase and it was widely thought that the company would use the figures as an apt moment to do so.

The company gave no new information until the the market closed when it was announced that Cazenove and ABN Amro Hoare Govett had bought 15.1m shares at 479p a share.

British Land shares took the dubious honour of being the worst performing FTSE 100 stock after the company announced a £300m convertible bond issue accompanied by a statement that "no new strategic acquisitions of major significance are currently in progress".

The shares have been buffeted by speculation that it may be planning a large takeover bid, with MEPC one of its rumoured targets. They closed 23 off at 560½p after turnover of 3.6m shares.

British Land's denial of any takeover intentions saw MEPC shares retreat 11 to 486p. Elsewhere in properties, Great Portland Estates fell 1½ to 219p following exceptionally heavy turnover of 7m.

The news on Eurofighter and the cuts in US defence spending cast a shadow over several other stocks.

They included Smiths Industries, where the shares surrendered 15 to 740½p, while Rolls-Royce fell 8½ to 299½p.

Shares in Engineering group Siebe paid little heed to reports of another bullish note from Kleinwort Benson, the company's broker. They gave up 13½ to 946½p in trade of 3m.

Cobham hardened 12 to 638½p, ahead of a dinner for investors hosted by Henderson Crosthwaite.

GKN was one of the few specks of blue among leading engineers. The shares gained 15½ to 965p after Merrill Lynch reiterated its "buy" recommendation and the engineering group's chief executive added to his stake in the company. Chief executive Mr C K Chow bought 3,000 shares at 956p.

FT 30 INDEX

	May 20	May 19	May 16	May 15	May 14	Yr ago	*High	*Low
FT 30	2961.9	2978.3	3014.3	3013.6	3017.3	2815.3	3018.8	2668.8
Ord. div. yield	3.71	3.69	3.63	3.63	3.62	3.92	4.22	3.62
P/E ratio net	17.91	18.01	18.27	18.29	18.33	16.64	18.38	15.80
P/E ratio nil	17.73	17.82	18.09	18.10	18.14	16.41	18.14	15.71

FT 30 since compilation: high 3018.8 13/05/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2976.1	2968.7	2970.2	2968.0	2961.5	2960.2	2960.9	2959.4	2958.1	2976.3	2955.4

	May 20	May 19	May 16	May 15	May 14	Yr ago
SEAQ bargains	46,559	48,374	51,062	51,311	56,580	35,254
Equity turnover (£m)†	–	NA	2594.2	2428.9	2872.3	1826.8
Equity bargains†	–	NA	47,139	49,454	57,432	44,571
Shares traded (ml)†	–	NA	657.5	715.1	791.5	616.3

†Excluding intra-market and overseas turnover but including Crest turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	485	Total Highs	61	Total contracts	45,975
Total Falls	1,053	Total Lows	75	Calls	22,706
Same	1,532			Puts	23,269

May 20 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4654.0	4610.0	-47.0	4658.0	4601.0	12514	68794
Sep	4670.0	4644.0	-46.0	4672.0	4639.5	758	4218
Dec	-	4692.0	-44.0	-	-	0	392

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4500.0	4500.0	-40.0	4500.0	4500.0	25	5938
Sep	-	4551.5	-38.5	-	-	0	300

FTSE 100 INDEX OPTION (LIFFE) (*4604) £10 per full index point

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock
*	F.P.	3,524	655	532½	Alliance & Leic
§	F.P.	97.9	1200	855	Aston Villa
-	F.P.	4,021	308½	268½	Cable & Wireless
-	F.P.	-	102	97½	Caradon B
§130	F.P.	16.3	150½	132½	†Comino
§	F.P.	13.1	87½	70½	Donatantonio

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	May 19	% chg on day	May 16	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index(31)	1555.41	-0.7	1565.79	2357.40	2.19	–	2376.96	1468.60
Regional Indices								
Africa (14)	1764.37	-2.6	1810.67	3187.52	5.04	50.44	3197.52	1724.86
Australasia (6)	1772.23	-1.0	1790.74	2804.34	3.00	25.00	2677.22	1757.55
North America (11)	1475.61	+0.1	1473.58	2083.30	0.98	206.28	2126.45	1335.84

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition. Market closed 19/5/97: Canada.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	May 20	Day's chge%	May 19	May 16	May 15	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4607.5	-0.8	4645.2	4693.9	4681.2	3789.4	3.54	2.06	17.13	74.25	1960.61
FTSE 250	4489.0	-0.5	4510.4	4525.7	4521.9	4529.2	3.61	1.58	21.95	66.44	1867.01
FTSE 250 ex IT	4503.6	-0.5	4525.8	4541.0	4538.0	4568.0	3.75	1.61	20.74	69.13	1878.49
FTSE 350	2234.8	-0.7	2251.5	2272.1	2266.7	1918.4	3.58	1.96	17.89	35.43	1941.85
FTSE 350 ex IT	2234.7	-0.8	2251.7	2272.4	2267.1	–	3.58	1.98	17.65	3.14	995.86
FTSE 350 Higher Yield	2179.0	-0.7	2194.3	2213.7	2207.9	1839.7	4.58	1.85	14.87	42.64	1603.82
FTSE 350 Lower Yield	2295.6	-0.8	2313.9	2335.6	2330.9	2004.6	2.52	2.19	22.66	27.62	1632.72
FTSE SmallCap	2304.47	-0.3	2311.45	2316.79	2314.83	2241.97	3.04	1.70	24.17	28.16	1948.98
FTSE SmallCap ex IT	2298.96	-0.3	2306.44	2312.03	2310.99	2238.91	3.26	1.78	21.54	30.29	1960.30
FTSE All-Share	2196.14	-0.7	2211.91	2230.98	2225.99	1903.36	3.52	1.95	18.24	34.22	1936.58
FTSE All-Share ex IT	2195.71	-0.7	2211.82	2231.27	2226.30	–	3.56	1.97	17.85	2.99	995.73

FTSE Actuaries Industry Sectors

	May 20	Day's chge%	May 19	May 16	May 15	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4294.39	+0.1	4288.69	4319.13	4302.99	3551.02	3.54	2.02	17.47	85.94	1922.57
12 Extractive Industries(6)	4419.85	-0.7	4452.43	4399.71	4337.08	4524.49	3.56	2.38	14.72	104.80	1351.01
15 Oil, Integrated(3)	4411.37	+0.4	4395.60	4443.73	4438.47	3583.03	3.77	1.98	16.98	90.91	2030.56
16 Oil Exploration & Prod(12)	3607.35	-0.6	3630.23	3628.82	3585.97	2515.66	1.60	2.22	35.19	36.78	2209.38
20 GEN INDUSTRIALS(268)	1916.65	-0.5	1927.04	1936.59	1938.36	2123.16	4.17	1.91	15.71	32.70	1090.06
21 Building & Construction(35)	1381.60	-0.1	1383.36	1390.65	1392.31	1223.51	3.13	1.96	20.32	23.61	1200.51
22 Building Matls & Merchs(30)	1847.25	-0.4	1854.57	1871.05	1869.85	1951.02	4.34	2.77	10.39	34.84	972.68
23 Chemicals(26)	2308.29	-0.9	2330.38	2354.07	2347.72	2536.18	4.55	1.46	18.80	49.97	1144.90
24 Diversified Industrials(18)	1379.74	-0.6	1388.01	1382.13	1372.78	1740.59	5.28	1.97	12.06	36.42	817.36
25 Electronic & Elect Equip(38)	2069.90	+0.5	2059.79	2073.27	2065.29	2456.11	3.80	1.56	21.04	14.36	1106.62
26 Engineering(69)	2469.46	-1.2	2499.69	2511.83	2520.65	2459.59	3.43	2.46	14.80	31.12	1546.47
27 Engineering, Vehicles(13)	2784.86	+0.3	2775.77	2787.43	2764.27	3053.03	4.00	‡	‡	38.40	1490.73
28 Paper, Pckg & Printing(27)	2188.64	-0.6	2201.17	2209.76	2247.65	2782.55	4.78	1.67	13.98	41.86	949.19
29 Textiles & Apparel(14)	1041.22	-0.1	1042.51	1047.62	1051.06	1391.01	6.77	0.96	19.27	33.10	679.62

Hourly movements

† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

هكذا من الأصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 20 / Sch)

BELGIUM/LUXEMBOURG (May 20 / Frs.)

CZECH REP (May 20 / Koruna)

DENMARK (May 20 / Kr)

FINLAND (May 20 / Mks)

FRANCE (May 20 / Frs.)

GERMANY (May 20 / Dm.)

GREECE (May 20 / Drachma)

ITALY (May 20 / Lira)

NETHERLANDS (May 20 / Fls.)

NORWAY (May 20 / Kroner)

POLAND (May 20 / Zloty)

PORTUGAL (May 20 / Escudo)

SPAIN (May 20 / Pta.)

SWEDEN (May 20 / Kronor)

SWITZERLAND (May 20 / Frs.)

TURKEY (May 20 / Tk Lira)

PACIFIC

JAPAN (May 20 / Yen)

AUSTRALIA (May 20 / Aust$)

HONG KONG (May 20 / H.K.$)

INDONESIA (May 20 / Rupiah)

MALAYSIA (May 20 / MYR)

NEW ZEALAND (May 20 / NZ $)

SINGAPORE (May 20 / S$)

SOUTH KOREA (May 20 / Won)

TAIWAN (May 20 / TW $)

THAILAND (May 19 / Baht)

AFRICA

SOUTH AFRICA (May 20 / Rand)

NORTH AMERICA

CANADA

MONTREAL (May 20 / Can $)

4 pm close

TORONTO (May 20 / Can $)

4 pm close

INDICES

	May 20	May 19	May 16	1997 High		1997 Low	
Argentina							
General(29/12/77)	(u)	21602.40	21632.88	21632.88	16/5	18237.37	2/1
Australia							
All Ordinaries(1/1/80)	2530.7	2531.0	2538.1	2538.10	16/5	2352.20	1/4
All Mining(1/1/80)	941.5	940.3	932.8	987.10	24/2	878.40	16/4
Austria							
Credit Aktien(30/12/84)	425.03	(c)	416.68	425.03	20/5	374.48	9/1
Traded Index(2/1/91)	1270.36	(c)	1251.38	1270.36	20/5	1130.22	9/1
Belgium							
BEL20(1/1/91)	2228.00	(c)	2240.30	2254.87	5/5	1871.05	2/1
Brazil							
Bovespa(29/12/83)	(u)	10506.0	10499.0	10881.00	12/5	8.00	29/4
Canada							
Metals Minls§(1975)	(u)	(c)	5465.90	6981.75	10/3	4946.98	11/4
Composite§(1975)	(u)	(c)	6247.40	6332.90	10/3	5579.30	14/4
Portfolio§§(4/1/83)	(u)	(c)	3154.38	3214.10	10/3	2846.02	11/4
Chile							
IGPA Gen(31/12/80)	(u)	5383.24	5366.84	5443.62	25/2	4812.42	2/1
Denmark							
CopenhagenSE(3/1/83)	580.35	(c)	579.00	580.35	20/5	470.14	2/1
Finland							
HEX General(28/12/90)	3035.14	3029.12	3064.54	3064.54	16/5	2483.28	2/1
France							
SBF 250(31/12/90)	1819.29	(c)	1838.29	1838.29	16/5	1533.18	2/1
CAC 40(31/12/87)	2761.11	(c)	2784.28	2784.28	16/5	2258.97	2/1
Germany							
FAZ Aktien(31/12/58)	1212.33	(c)	1229.57	1229.57	16/5	988.21	2/1
Commerzbank(1/12/53)	3552.10	(c)	3605.20	3605.70	13/5	2875.80	2/1
DAX‡(30/12/87)	3543.43	(c)	3604.55	3604.55	16/5	2848.77	2/1
Greece							
Athens SE(31/12/80)	1621.71	1670.23	1638.79	1670.23	19/5	854.54	2/1
Hong Kong							
Hang Seng(31/7/64)	14236.20	14108.82	14062.37	14236.20	20/5	12085.17	3/4
India							
BSE Sens.(1979)	3768.30	3778.31	3759.64	3944.61	4/3	3225.24	2/1
Indonesia							
Jakarta Comp.(10/8/82)	652.82	652.55	657.07	712.80	26/2	631.27	15/4
Ireland							
ISEQ Overall(4/1/88)	3218.55	3242.09	3251.31	3251.31	16/5	2725.07	2/1
Italy							
Banca Comm Ital(1972)	778.91	777.04	782.38	797.71	10/2	642.56	2/1
MIB General(2/1/97)	1173.0	1170.0	1178.0	1197.00	10/2	991.00	2/1
Japan							
Nikkei 225(16/5/49)	20332.83	20489.75	20324.73	20489.75	19/5	17303.65	10/1
Nikkei 300(1/10/82)	291.06	292.92	290.99	293.64	6/5	251.04	27/1
Topix(4/1/68)	1503.56	1512.83	1503.29	1512.83	19/5	1320.82	10/4
2nd Section(4/1/68)	1760.56	1759.26	1749.02	1829.21	6/1	1516.50	15/4
Malaysia							
KLSE Comp.(4/4/86)	1068.62	1041.39	1041.91	1271.57	25/2	1041.27	15/5
Mexico							
IPC(Nov 1978)	(u)	3821.39	3890.36	3898.69	25/2	3359.46	2/1
Netherland							
CBS TtlRtnGen(End 83)	921.8	(c)	929.1	929.10	16/5	730.80	2/1
CBS All Shr(End 83)	533.0	(c)	537.4	539.60	14/5	428.00	2/1
New Zealand							
Cap. 40(1/7/86)	2295.39	2307.56	2314.84	2440.21	20/1	2207.48	1/4
Norway							
Oslo SE(Ind)(2/1/83)	1898.92	(c)	1902.22	1941.49	20/2	1639.03	2/1
Philippines							
Manila Comp(2/1/85)	2499.38	2509.36	2576.13	3447.60	3/2	2499.38	20/5
Portugal							
BVL 30(4/1/93)	2844.38	2866.42	2893.44	2905.28	15/5	2185.57	2/1
Singapore							
SES All-S'pore(2/4/75)	498.28	495.17	499.42	573.03	17/2	479.94	29/4
South Africa							
JSE Gold(28/9/78)	1213.1♥	1192.8	1228.3	1588.10	27/2	1181.80	2/5
JSE Indl.(28/9/78)	8372.0♥	8398.5	8421.2	8588.70	6/5	7859.50	2/1
South Korea							
KoreaCompEx"(4/1/80)	734.67	721.20	698.53	734.67	20/5	611.05	7/1
Spain							
Madrid SE(30/12/85)	547.56	541.86	543.91	548.00	13/5	434.54	2/1
Sweden							
AffarsvarldsGen(1/2/37)	2833.8	(c)	2833.6	2898.00	15/5	2378.50	2/1
Switzerland							
SMI Index(1/7/88)	5081.0	(c)	5157.5	5157.50	16/5	3922.80	7/1
SPI General(1/6/87)	3214.28	(c)	3255.91	3255.91	16/5	2506.22	6/1
Taiwan							
WeightedPr."(30/6/66)	7998.75	8107.54	8081.79	8081.72	26/4	6844.75	6/1
Thailand							
Bangkok SET(30/4/75)	(c)	577.10	561.19	858.97	22/1	557.87	15/5
Turkey							
IMKB Nat 100(1986)	1510.0	(c)	1492.00	1604.00	21/3	886.00	2/1
WORLD							
MS Capital Int$(1/1/70)	895.5"	896.7	897.3	901.00	16/5	794.50	14/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	2337.33	2342.61	2352.25	2352.25	16/5	1893.80	2/1
FTSE E 100(26/6/90)	1987.72	2007.66	2007.12	2007.66	19/5	1592.99	3/1
HSBC JC Drgn(31/12/88)	(u)	401.27	401.00	429.46	20/1	381.54	29/4
ING Brngs Emrg(7/1/92)	(u)	174.67	174.39	181.33	26/2	159.74	3/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x index)							
May	2758.0	2743.0	-37.0	2761.0	2727.0	14,118	24,498
Jun	2725.0	2718.5	-37.0	2736.0	2704.0	1,259	27,459
DAX							
Jun	3560.0	3526.0	-42.0	3561.5	3512.5	22,957	-
Sep	3577.0	3552.0	-45.0	3582.0	3541.0	472	-
OMX							
May	2196.00	2213.25	+8.75	2218.50	2194.50	5,717	17,293
Jun	2204.00	2215.00	+2.00	2225.00	2203.00	4,620	9,123
SOFFEX							
Jun	5112.0	5054.5	-73.2	5120.0	5048.0	5,278	21,492
Jul	-	5064.8	-45.8	-	-	-	1,459

" Sat May 17: Taiwan Weighted Price 8141.12; Korea Comp Ex 706.25. Base values of all indices are 100 except: Australia All Ord and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall; Toronto Comp./Met & Mins, DAX - all 1,000; SMI - 1500; JSE Gold - 255.7; JSE 26 Ind - 264.5; IMKB Nat 100 - 1; NYSE All Common - 50; Stand & Poor's - 10 and Amex Comp - 550. §§ Montreal. § Toronto (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: May 20 - 3516.20 -58.06. † Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. § The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	May 19	May 16	May 15	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7228.88	7194.67	7333.55	7333.55 (15/5)	6391.69 (11/4)	7333.55 (15/5/97)	41.22 (8/7/32)
Home Bonds	102.14	102.10	102.31	103.83 (19/2)	101.09 (14/4)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2635.11	2624.83	2624.83	2635.11 (19/5)	2222.07 (2/1)	2635.11 (19/5/97)	13.23 (8/7/32)
Utilities	221.72	221.94	222.72	240.85 (22/1)	208.47 (25/4)	258.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7274.21 (7332.31) Low 7140.69 (7170.77) (Theoretical§)
Day's high 7243.30 (7329.01) Low 7172.42 (7190.55) (Actual§)

Standard and Poors	May 19	May 16	May 15	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	833.27	829.75	841.88	841.88 (15/5)	737.01 (2/1)	841.88 (15/5/97)	4.40 (1/6/32)
Industrials♥	982.57	977.49	991.82	991.82 (15/5)	865.42 (11/4)	991.82 (15/5/97)	3.52 (30/6/32)
Financial	93.10	93.08	94.78	97.25 (10/3)	80.75 (2/1)	97.25 (10/3/97)	7.13 (4/9/74)
NYSE Comp.	434.14	432.44	437.65	437.65 (15/5)	388.47 (11/4)	437.65 (15/5/97)	4.64 (25/4/42)
Amex Comp.	587.48	586.72	583.47	603.63 (10/3)	541.20 (28/4)	617.61 (22/5/96)	524.20 (16/7/95)
NASDAQ Cmp	1341.24	1340.73	1353.58	1388.08 (22/1)	1201.00 (2/4)	1388.08 (22/1/97)	54.87 (3/10/74)

RATIOS

	May 16	May 9	May 2	Year ago
Dow Jones Ind. Div. Yield	1.71	1.71	1.73	2.17
	May 14	May 7	Apr 30	Year ago
S & P Ind. Div. yield	1.68	1.72	1.75	1.92
S & P Ind. P/E ratio	23.89	23.33	22.89	21.26

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Philip Mrrs	6,554,800	43	+⅝
Ryl Dutch	6,018,400	189	+⅜
Seagate Tch	5,681,300	45⅛	-3⅝
Mercury Fin	4,935,700	2⅝	+¼
Hewlett-Pkd	4,621,500	52¾	....
Emp Elec Ch	4,196,000	19⅛	+⅛
AT&T	3,809,800	33⅝	-⅛
Gen Elec	3,753,100	61	+⅛
Adv Micro	3,294,000	40	-2⅝
Pepsico	3,070,600	37⅛	+¼

TRADING ACTIVITY

● Volume (million)

	May 19	May 16	May 15
New York SE	398.558	485.778	458.143
Amex	13.903	21.029	28.389
NASDAQ	460.635	574.545	621.354
NYSE			
Issues Traded	3,333	3,344	3,341
Rises	1,397	977	1,285
Falls	1,060	1,439	1,173
Unchanged	876	928	883
New Highs	91	95	105
New Lows	10	10	7

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Jun	835.70	828.50	-7.55	836.80	828.50	67,643	184,302
Sep	841.95	837.10	-7.50	841.95	837.10	818	10,378

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Nikkei 225							
Jun	20470.0	20340.0	-210.0	20850.0	20270.0	40,818	241,436
Sep	20550.0	20400.0	-160.0	20620.0	20320.0	277	10,875

Open interest figures for previous day.

TOKYO - MOST ACTIVE STOCKS: Tuesday, May 20, 1997

	Stocks Traded	Closing Prices	Change on day
Nippon Credit Bk	7.2m	262	+9
Nippon Steel Cp	7.0m	358	-6
Hitachi	5.8m	1260	+10
NKK Corp	5.2m	256	-4
Toshiba Corp	4.9m	721	-8
Nomura Secs	4.9m	1410	-30
Mitsui Co.	4.7m	1000	
Nissho Iwai	4.7m	465	+18
Tokio M & F Ins	4.5m	1450	+10
Daiichi Kangyo B	4.2m	1390	-80

Prices supplied by Exel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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4 pm close May 20

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A -								
32	24¼	AAR x	0.48	1.6	23	120	30⅞	30½	30¾	
43	33⅛	AMP x	1.04	2.7	31	4632	39¼	38⅞	39⅛	-⅛
97⅞	78¼	AMR			7	4498	u98¼	94⅝	98	+2
37⅝	31⅝	ASA x	1.20	3.8	21	344	32⅛	31¾	31⅞	
67⅛	49¾	AbbtL	1.08	1.7	26	12045	65⅞	64⅝	65	-1⅛
17½	14⅛	Abitibi Pr	0.40	2.3	8	230	17¼	16⅞	17¼	+⅛
19¾	17⅜	ABM Ind	0.40	2.1	17	166	19	18¾	19	+⅛
23	17¾	Acptocala			10	221	19⅞	19⅛	19⅞	+¾
66⅜	56⅛	ACE Ltd	0.88	1.4	10	1042	62⅝	61	62¼	+⅝
10¾	10	ACM Gvt In x	0.90	9.0	10	327	10⅛	d10	10	-⅛
7⅝	7	ACM GvOpp x	0.63	8.4		95	u7⅝	7⅜	7½	
9⅞	9⅛	ACM Mgn x	0.90	9.4		219	9⅝	9½	9⅝	+⅛
10⅜	6¼	Acme Elect				35	7⅛	7	7	-¼
20	13	Acme Mills				117	14⅝	14¼	14½	+¼
17⅜	14	ACNielsen			31	582	17¼	17	17⅛	
34¾	27¼	Acordia	0.80	2.2	17	401	u37⅛	35⅝	35⅞	+1¼
29¾	21⅛	Acuson				785	25¾	25	25¾	+½
21¾	19⅜	Adams Expr x	0.55	2.5	1	300	21⅝	21⅜	21⅝	
48½	24⅞	Adiddc				24287	42⅞	40⅛	42¼	+2¼
15⅜	10⅜	Advest Grp	0.03	0.2	11	358	u15⅜	14⅝	15¼	-⅛
14⅝	11⅜	Advo Inc			16	126	14⅛	13⅞	14⅛	+⅛

[illegible]

Continued on next page

NYSE PRICES

4 pm close May 20

Continued from previous page

1997 High	Low	Stock	Div.	Yld %	P/E	Sls 100s	High	Low	Close Price	Chng Prev. Close
$23\frac{7}{8}$	$20\frac{3}{4}$	Yankee Egy	1.30	5.7	14	119	$22\frac{3}{4}$	$22\frac{1}{2}$	$22\frac{5}{8}$	$-\frac{1}{8}$
56	$37\frac{7}{8}$	York Int	0.48	1.0	15	930	$48\frac{5}{8}$	$47\frac{3}{8}$	$47\frac{7}{8}$	$-\frac{1}{4}$
5	4	Zapata				180	$4\frac{3}{8}$	$4\frac{1}{4}$	$4\frac{1}{4}$	
$13\frac{1}{8}$	$9\frac{7}{8}$	ZntsGl				487	11	$10\frac{3}{4}$	$10\frac{7}{8}$	
$27\frac{7}{8}$	$24\frac{3}{8}$	Zenith Nat	1.00	3.9	14	31	$25\frac{7}{8}$	$25\frac{5}{8}$	$25\frac{7}{8}$	$-\frac{1}{8}$
$7\frac{1}{2}$	$7\frac{1}{8}$	Zweig Inc	0.73	9.8		358	u$7\frac{1}{2}$	$7\frac{3}{8}$	$7\frac{1}{2}$	
$23\frac{3}{4}$	$17\frac{3}{4}$	Zero x	0.12	0.6	16	249	$21\frac{1}{2}$	$21\frac{1}{8}$	$21\frac{1}{8}$	$-\frac{1}{2}$
$11\frac{1}{2}$	$10\frac{3}{4}$	ZweigFd	1.16	10.1		732	u$11\frac{1}{2}$	$11\frac{3}{8}$	$11\frac{1}{2}$	$+\frac{1}{8}$
$8\frac{3}{4}$	8	Zweig Tot x	0.84	9.6		453	u$8\frac{3}{4}$	$8\frac{5}{8}$	$8\frac{3}{4}$	$+\frac{1}{8}$

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended.

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AMEX PRICES

4 pm close May 20

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
NY TmA	0.64	22	2165	$46\frac{1}{2}$	$45\frac{7}{8}$	$46\frac{1}{2}$	$+\frac{1}{4}$
NVR		7	1306	$14\frac{9}{16}$	$14\frac{1}{4}$	$14\frac{3}{8}$	$-\frac{3}{16}$
Pegasus G		68	2870	$6\frac{13}{16}$	$6\frac{5}{8}$	$6\frac{13}{16}$	$+\frac{1}{4}$
Pertel		3	55	$6\frac{3}{4}$	$6\frac{5}{8}$	$6\frac{3}{4}$	$-\frac{1}{8}$
PMC	1.24	11	20	$13\frac{7}{8}$	$13\frac{3}{4}$	$13\frac{7}{8}$	$+\frac{1}{8}$
ReganBrad			z0	$25\frac{3}{4}$	d$25\frac{3}{4}$	$25\frac{3}{4}$	
SJW Corp x	2.28	12	4	$55\frac{3}{4}$	$55\frac{1}{2}$	$55\frac{1}{2}$	$-\frac{1}{4}$
Tab Prods	0.20	12	147	$9\frac{1}{4}$	9	9	
Tel&Data	0.42	61	z0	$37\frac{3}{4}$	$37\frac{3}{4}$	$37\frac{3}{4}$	$-\frac{3}{8}$
Thermedics		15	428	$16\frac{13}{16}$	$16\frac{1}{2}$	$16\frac{13}{16}$	$+\frac{1}{2}$
Thermoins		24	487	34	$33\frac{1}{4}$	34	$+\frac{11}{16}$
TotlPNA	0.30	138	405	$9\frac{3}{4}$	$9\frac{5}{8}$	$9\frac{11}{16}$	$+\frac{1}{16}$
TownCntry		0	1712	$\frac{1}{4}$	d$\frac{1}{4}$	$\frac{1}{4}$	
Tubos Mex			2297	$17\frac{3}{4}$	$17\frac{3}{8}$	$17\frac{3}{4}$	$+\frac{3}{16}$
UtdFoodsA		25	354	u$2\frac{1}{16}$	2	$2\frac{1}{16}$	$+\frac{1}{16}$
UtdFoodsB		26	155	u$2\frac{1}{8}$	$2\frac{1}{16}$	$2\frac{1}{8}$	$+\frac{3}{16}$
US Cellular		15	87	26	$25\frac{5}{8}$	$25\frac{5}{8}$	$-\frac{1}{2}$
ViacmA		165	397	$30\frac{1}{8}$	$29\frac{7}{8}$	$29\frac{7}{8}$	$-\frac{1}{4}$
ViacmB		165	6441	$29\frac{15}{16}$	$29\frac{3}{4}$	$29\frac{7}{8}$	$-\frac{1}{8}$
WIRET	1.12	19	z0	$12\frac{3}{4}$	$12\frac{3}{4}$	$12\frac{3}{4}$	$+\frac{1}{16}$
Xytronix			164	$1\frac{3}{16}$	$1\frac{1}{16}$	$1\frac{3}{16}$	$+\frac{1}{16}$

NASDAQ NATIONAL MARKET

4 pm close May 20

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Kaman Cp	0.44	24	78	$13\frac{7}{8}$	$13\frac{5}{8}$	$13\frac{5}{8}$	$-\frac{3}{8}$
Kelly Sv	0.84	14	155	29	$28\frac{1}{2}$	$28\frac{1}{2}$	$-\frac{1}{4}$
Kimball	1.04	13	169	39	$38\frac{1}{4}$	$38\frac{7}{16}$	$-\frac{11}{16}$
KLA-Tn		26	12917	$50\frac{5}{8}$	$46\frac{1}{4}$	$50\frac{5}{8}$	$+3\frac{5}{8}$
Koll A			1441	0.15	$4\frac{3}{16}$	$\frac{1}{8}$	
Komag		21	6937	$34\frac{7}{8}$	34	$34\frac{3}{8}$	$-\frac{3}{8}$
Kulicke S			4754	$31\frac{1}{8}$	$30\frac{1}{2}$	31	$+\frac{1}{2}$
- R -							
Rainbow		12	141	$16\frac{1}{2}$	$16\frac{1}{8}$	$16\frac{1}{8}$	$-\frac{1}{4}$
Rallys			855	3	$2\frac{5}{8}$	3	$+\frac{5}{16}$
Raymond	0.25	16	713	u$31\frac{5}{8}$	31	$31\frac{5}{8}$	$+\frac{5}{8}$
RCSB Fin	0.80	12	3580	$35\frac{1}{4}$	$32\frac{7}{8}$	$34\frac{3}{4}$	$+1\frac{1}{8}$
Read-Rite			42740	$24\frac{3}{4}$	d23	$23\frac{3}{4}$	$-\frac{7}{8}$

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$5	+0.625	21500	8.25	4.375	Esprit Telecom ADS	US$5.625	+0.125	3600	12.25	5.375
Artwork Systems	US$10.75	+0.125	6000	11	8.5	Innogenetics	US$11.25	-0.125	16800	12.75	10.375
Chemunex	FFr16		0	18	16	Mercer Internl.	US$10.125	+0.125	0	11.75	8.125
Dr Solomon's ADS	US$22.5	-0.125	0	26.5	16.875	PixTech	US$4.5		0	6.125	4.25

Prices for 20/5/97. Please note that mid prices are now used to calculate highs and lows.

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
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FINANCIAL TIMES Wednesday May 21 1997

Dow surges after FOMC pegs rate

AMERICAS

Wall Street was instantly cheered by the decision not to raise interest rates yesterday, *writes Jane Martinson in New York.*

The blue chip Dow Jones Industrial Average gained 35.44 to 7,264.82 just five minutes after the decision was announced at 2.15pm New York time.

However, the initial enthusiasm was tempered soon after. Analyst said this was partly due to fears of a July increase.

The gains echoed those in the bond market, which saw an instant marked turnaround in sentiment after a lacklustre morning.

Enthusiasm for equities overturned weak morning trading, during which the Dow had fallen by as much as 65 points.

Analysts had been more than usually divided over the possible outcome of the FOMC meeting.

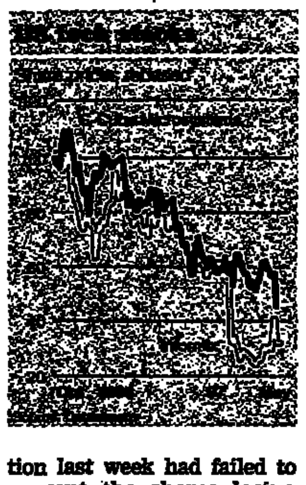
Amid the uncertainty, Mr Warren Epstein, director of trading at Rosenblatt & Co, had played down the impact of the long-awaited decision. After an initial sell-off, he said, any decision to raise rates "might be seen as a positive", especially if economic data continued to show strong growth.

Early trading in other markets was mixed. Technology stocks staged a fightback, allowing the technology-driven Nasdaq composite index to outperform the blue chips after a period of weaker growth. It rose 6.29 to 1,347.53 while the broader based S & P 500 fell 3.83 to 829.44.

Financial blue chips to suffer from the Dow's uncertainty included J.P. Morgan, which fell 1.5 per cent or $1½ to $101, and Travelers Group which lost $1 or 1.8 per cent, to $54¾.

IBM continued to confound the blue-chip trend and echo other computer groups after a positive broker's note. It rose $2¼ or 1.3 per cent to $170⅝. Intel, also benefiting from upbeat research, helped the Nasdaq increase with a gain of $3⅝ or 2.4 per cent to $158⅝.

Informix fell $⅛ to $8⅝ in some of the most active trading on Nasdaq as the market continued to take a negative stance on the troubled database company. A rally sparked by takeover specula-



tion last week had failed to prevent the shares losing half their value in the past month.

C-Cube Microsystems lost $5⅝ to $20½ as the company warned of lower than expected second-quarter earnings.

TORONTO tracked Wall Street from the opening with leading stocks moving lower across a broad front. At noon, the 300 composite index was off 26.08 at 6,221.30.

Most industrial sectors eased. Worries about a rise for US interest rates cast a cloud over the banks while golds found little comfort in a stable, but still weak bullion price.

Bank of Montreal retreated 35 cents to C$52.80 and Royal Bank of Canada came off 45 cents to C$58.80. Among golds, Barrick shed 15 cents to C$33.40 while Placer Dome gave up 15 cents to C$25.15.

Mexico City stronger

Leading Latin American centres responded positively to the Fed's decision to leave US interest rates unchanged.

MEXICO CITY rose and the peso strengthened immediately after the announcement. "A lot of buying suddenly appeared," said one equities trader. The IPC index shot ahead, then fell back slightly to record a gain of 0.6 per cent or 25.20 at 3,946.93.

BUENOS AIRES also pushed sharply higher, the Merval index gaining 7.22 or 1 per cent at 751.89. The Merval had been about 0.2 per cent stronger before the FOMC statement.

SAO PAULO traded sideways ahead of the US announcement. At midsession, the Bovespa index was 80 lower at 10,426. Telmex hardened slightly to R$17.26 following a national carrier pact with Global One, the Deutsche Telekom, France Telecom and Sprint joint venture.

Industrials depress S Africa

Gold shares in Johannesburg rallied, but not enough to offset losses for industrials. As a result, the all-share index fell for the fourth day running, closing off 10.4 at 7,106.2.

Golds bounced on bargain hunting plus talk of improving sentiment for the bullion price which showed signs of stabilising after staving off a potentially dangerous slide below $340.

Shares in gold producers moved higher across the board and at the close the golds index, which fell almost 3 per cent on Monday, had clawed back 1.7 per cent, adding 20.3 to 1,213.1.

The industrials index fell 26.5 to 8,372.0. Barlows continued to suffer results disappointment, dropping R2 to R46.85 for a two-day decline of more than 5 per cent.

Rate worries, company news hit bourses

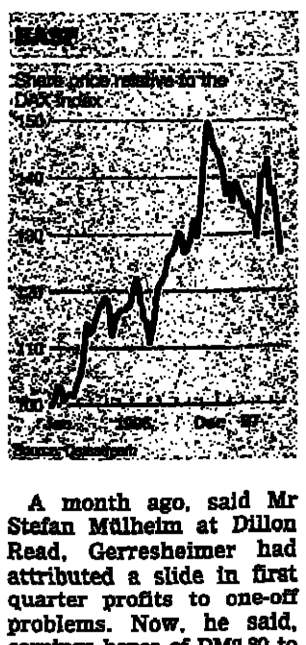
EUROPE

Interest rate uncertainty hit the dollar and equities in Europe ahead of yesterday's FOMC meeting; some late closing bourses, back from a long weekend, were also digesting the third fall in the Dow in three consecutive days; and the effect was compounded where there was bad corporate news.

FRANKFURT, with bad news among blue chips and in the mid-cap sector of the market, put it all together and fell 1.5 per cent, the Dax index closing 53.06 lower at an Ibis-indicated 3,516.20, in turnover down from DM13.8bn to DM11.2bn.

Cyclicals, primarily carmakers and chemicals, were predisposed to fall on the dollar; but BASF led the big blue chips down on news of a billion-dollar lawsuit against Knoll, its US-based pharmaceuticals unit. It lost DM2.60 or just under 4 per cent at DM63.25. Hoechst was right behind, down DM2.50 at DM64.85, and Volkswagen closed DM32.50 lower at DM1,115.50.

However, there was worse in mid-caps where Gerresheimer, the glassmaking subsidiary of Viag, plummeted DM9.90 or 27.6 per cent to DM26; the company forecast a fall in operating profits this year due to price pressures in container glass.



A month ago, said Mr Stefan Mülheim at Dillon Read, Gerresheimer had attributed a slide in first quarter profits to one-off problems. Now, he said, earnings hopes of DM2.80 to DM3 a share, after last year's DM2.35, would have to be written off, and the shares were a sell.

PARIS swept lower with the CAC 40 index retreating 33.17 to 2,751.11 after touching a session low of 2,731.17. Volume was said to be average at 11.9m shares.

US rate uncertainty and the soft start on Wall Street did most of the damage, but renewed election jitters, some downside pressure from ex-dividends and disquieting news from LVMH also hit sentiment.

The luxury goods giant did its best to smooth over the failure of its newly acquired DFS operation to win two Hong Kong airport concessions, but the shares took little notice, sliding FFr41 or 2.8 per cent to FFr1,447.

Total paid more attention to the softening oil price than to an upgrade from Goldman Sachs which moved to "market outperform". The shares came off FFr5 to FFr553, as Elf Aquitaine dipped FFr9 to FFr592.

Motors were out of favour. Renault fell FFr3.10 or 2 per cent to FFr153.9 and Peugeot FFr10 to FFr646. Accor, the hotels leader, stood out against the selling pressure, adding FFr11 at FFr889.

ZURICH was depressed by the dollar and the Dow, and a string of index heavyweights came under pressure as the SMI index dropped 76.5 or 1.5 per cent to 5,081.0. Novartis bearers lost SFr46 at SFr1,973, Roche certificates SFr290 at SFr13,205 and Nestlé registered SFr39 at SFr1,818.

However, the real pain was in other well-known names: Julius Baer, the banking group, was cut from "buy" to "hold" by CS First Boston after recent outperformance and fell SFr59 to SFr1,971; and Schindler, the maker of lifts and escalators, dropped SFr127 or 6.6 per cent to SFr1,788.

FTSE Actuaries Share Indices

THE EUROPEAN SERIES

May 20 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack100	2341.15	2342.05	2341.22	2341.87	2342.90	2342.62	2340.73	2337.33
FTSE Eurotrack200	2366.89	2365.98	2366.81	2364.89	2362.32	2364.22	2360.90	2359.41

	May 19	May 16	May 15	May 14	May 13
FTSE Eurotrack 100	2342.61	2352.25	2328.95	2328.47	2315.77
FTSE Eurotrack 200	2375.03	2382.24	2367.57	2370.96	2380.31

Base value 1000 (26/10/90). High/day: 100 - 2344.33; 200 - 2369.05 Low/day: 100 - 2337.33 200 - 2357.37. † Partial.

Mr Matthew Windridge, head of research at Standard & Poors MarketScope, noted that Schindler was up 68 per cent since its low last July, and 28 per cent since S & P's own buy note on Schindler only three months ago, which took in a target price of SFr1,850.

AMSTERDAM ended off 6.85 at 787.45 on the AEX index. A handful of stocks made upward progress, notably Nedlloyd ahead of today's results and ING following publication of its US listing prospectus. Nedlloyd rose 70 cents to Fl 48.80 and ING added 40 cents at Fl 80.10.

But the broad market came under pressure. Aegon lost Fl 3 to Fl 140.70 and KLM, which puts out results today, fell 80 cents to Fl 58.20. Speculation that Unilever was poised to launch a major US takeover left the shares off Fl 7.50 at Fl 377.90.

Among smaller capitalisation stocks, Baan slipped Fl 3.40 to Fl 108.80 in spite of a buy note from HSBC James Capel predicting sales growth this year of 63 per cent for the software group.

MILAN threw caution to the wind and opted for a modest upward movement on talk of a cut for interest rates, possibly today should May's preliminary CPI data prove positive. The Mibtel index hardened 8 to 12,435.

Ambroveneto, winner in the race to link up with Cariplo, the big savings bank, fell L296 to L4,125 on worries about a capital increase to finance the deal. But there were steady gains elsewhere. BCI, which also bid for Cariplo, improved L29 to L3,585 and Edison gained L123 to L8,155.

MADRID was the major exception to the day's downtrend, the general index closing 5.70 higher at 547.56, with turnover up from Pta40.51bn to Pta119.55bn on news that Morgan Stanley had upgraded Spain's weighting from 3 per cent to 4.5 per cent in its European model portfolio.

Mr Richard Davidson, Morgan's European equity strategist, said he had been growing increasingly convinced that Spain would be in the first group of countries joining in European monetary union in 1999. Endesa, the broker's choice, rose Pta230 or 2.1 per cent to Pta11,330.

VIENNA registered a new all-time closing high, the ATX index coming in 19.05 or 1.5 per cent better at 1,270.36. OMV, the oil and chemicals group, rose Sch98.20 or 6.8 per cent to Sch1,535 on continued investment interest.

ISTANBUL put on 1.2 per cent ahead of an acrimonious censure vote in parliament against the Islamist-led coalition government, the IMKB National-100 index closing 18 higher at 1,510.

ATHENS had been waiting a long time to set a new all-time high; and although it got there in early trading – with an intra-day peak of 1,695.03, its best since July, 1990 – the mere fact of it was taken as a signal for profit-taking.

The general index ended more than 70 points off the top, 48.52 or 2.9 per cent down on the day at 1,621.71, in high turnover of Dr41.5bn.

Written and edited by William Cochrane and Jeffrey Brown

Strong demand for red chips lifts Hang Seng

ASIA PACIFIC

Regional and European institutional buying continued to lift **HONG KONG**, extending the gains on the Hang Seng index to almost 200 points in two sessions.

Sentiment was supported by an active day for red chips and a broker upgrade for HSBC.

At the close the Hang Seng index was 127.38 higher at 14,236.20, in turnover of HK$12.75bn.

Brokers said that red chips were buoyed by expectations that Beijing Enterprises' public offer would be heavily oversubscribed, following reports of the shares trading in the grey market at up to three times their flotation price of HK$12.48.

HSBC rose HK$2 to HK$220 after an upgrade to accumulate by Merrill Lynch. The US broker had revised its earnings outlook for the bank and claimed that the shares were trading at a 20 per cent discount to its revised fair value target.

TOKYO saw the dollar plunge to the Y112 level and stocks fell, with selling of export-oriented issues by domestic institutions and investment trust funds on fears that exchange rate losses would cut sharply into their earnings, *writes Gwen Robinson.*

Further reports about the investigation of Dai-Ichi Kangyo Bank, in the widening scandal over Nomura Securities' illegal trading activities, also weighed on the market.

The Nikkei 225 average fell 156.92 to 20,332.83, after moving between 20,245.22 and 20,612.26.

Trading began on a firm note as foreign investors and domestic institutions placed large-lot buy orders. As the dollar accelerated downwards, however, investors booked profits on blue-chip

exporters and the 225 index slid from mid-morning.

Banks and securities houses suffered heavy selling following an early morning raid by prosecutors on Dai-Ichi Kangyo Bank, in connection with the pay-off scandal involving Nomura's dealings with corporate racketeers.

However the broad market decline was limited, according to traders, because most investors seemed unwilling to see equities fall further ahead of the US Federal Reserve Board's open market committee meeting later in the day.

Turnover eased from 489m shares to an estimated 437m. Declines led advances by 665 to 428 with 162 unchanged. The Topix index of all first-section stocks fell 9.27 to 1,503.56 and the capital-weighted Nikkei 300 was down 1.86 at 291.06.

Blue-chip exporters fell prey to profit-taking. Sony shed Y70 to Y9,730, Canon Y30 to Y2,850 and Fuji Photo Film Y110 to Y4,480.

Carmakers retreated, Honda falling Y120 to Y3,360 in spite of its announcement of record earnings for the business year to March. Toyota dropped Y70 to Y3,580.

Leading commercial banks were mostly lower, led down by Dai-Ichi Kangyo Bank which fell Y80 to Y1,390. Fuji Bank fell Y80 to Y1,480 and Bank of Tokyo-Mitsubishi Y30 to Y2,100. Nippon Credit Bank, however, rose Y9 to Y262 in spite of reports that its bad loans may total Y700bn.

Securities houses were the biggest losers as a group, falling nearly 2 per cent. Nomura fell Y30 to Y1,410 and Yamaichi Securities Y13 to Y331. Smaller, second-tier brokers also retreated with Sanyo Securities down Y8 at Y238 and New Japan Securities Y3 at Y317.

In Osaka, the OSE average fell 94.47 to 21,060.36 and volume eased to 19m shares.

In London, the ISE/Nikkei 50 index fell 2.61 at 1,574.82.

SEOUL pushed deeper into new high ground for the year, with the composite index rising 13.47 to 734.67, up 1.9 per cent on the day for a two-session gain of 4 per cent.

Sentiment, lifted on Monday by talk of imminent financial reforms, was boosted further by the recovery in the yen against the dollar, which sparked hopes for an improved trading climate for Korean exporters.

Big overseas earners led the market higher. Daewoo Heavy rose Won560 to Won7,490 and Hasnjin Heavy Won250 to Won9,150.

KUALA LUMPUR pushed upwards on selective blue chip buying. The composite index gained 17.23 or 1.7 per cent to 1,058.62 ahead of today's public holiday. "Local and state-owned funds were buying but they were very specific," said one dealer.

TAIPEI ended lower in dull volume after a day of sharp swings. The weighted index was dragged down in the final 30 minutes of trading to close off 110.79 or 1.4 per cent at 7996.75. Turnover was weak at T$66bn.

Electronic shares led the decline with the sector tumbling 2.2 per cent. Taiwan Semiconductor fell T$3 or 2.9 per cent to T$101.

Among financials, Hua Nan Bank lost T$4 or 3.3 per cent to T$116.

SHANGHAI attracted some of the speculation which lifted Shenzhen on Monday. In this case, said brokers, it came from institutions wishing to boost the price of shares in which they had large holdings.

The B share index climbed 332 or 3.9 per cent to 88.291 in turnover of $11.21m.

SHENZHEN Bs slowed down a little, but the market liked the statement from the US president, Mr Bill Clinton, who said he planned to renew China's most favoured nation (MFN) trade status. The B share index rose 2.53 or 1.5 per cent at 169.39.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY MAY 19 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY MAY 16 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	230.69	-0.2	208.73	169.43	204.75	198.19	-0.2	3.86	231.22	209.35	168.56	203.65	198.57	231.52	188.44	207.38
Austria (24)	190.11	-0.8	172.01	139.62	168.73	168.68	0.0	1.88	191.58	173.46	139.66	168.73	168.68	195.04	174.70	187.18
Belgium (28)	247.17	-0.7	223.64	181.53	219.38	214.74	0.0	3.33	248.94	225.39	181.47	219.25	214.74	248.96	206.70	209.76
Brazil (30)	254.97	0.1	230.70	187.26	226.30	500.95	0.2	1.43	254.62	230.54	185.62	224.26	500.13	256.86	182.65	167.30
Canada (113)	201.56	-0.1	182.38	148.04	178.90	200.22	0.0	1.96	201.77	182.68	147.09	177.71	200.22	203.31	154.12	163.88
Denmark (32)	386.76	-0.7	349.94	284.05	343.27	341.88	0.0	1.48	389.62	352.77	284.03	343.16	341.88	389.62	292.69	294.35
Finland (28)	267.68	-2.0	242.20	196.60	237.58	289.06	-1.3	1.56	273.12	247.29	199.10	240.55	292.84	273.12	186.67	190.33
France (91)	230.67	-0.7	208.72	169.42	204.73	207.98	0.0	2.72	232.34	210.37	169.38	204.64	207.98	232.34	186.94	197.57
Germany (59)	211.81	-0.8	191.65	155.56	187.99	187.99	0.0	1.51	213.45	193.26	155.60	187.99	187.99	213.45	167.18	169.13
Hong Kong (86)	499.46	0.5	451.92	366.83	443.30	496.27	0.5	3.04	497.23	450.20	362.47	437.93	494.01	514.49	407.55	425.67
Indonesia (27)	222.18	-1.0	201.08	163.18	197.20	332.91	-0.8	1.72	224.51	203.27	163.66	197.73	335.58	-	-	-
Ireland (16)	348.11	-0.8	314.98	255.67	308.97	321.77	-0.7	3.03	350.96	317.76	255.84	309.10	324.16	350.96	270.08	277.54
Italy (59)	90.81	-0.8	82.17	66.69	80.60	113.54	-0.6	2.21	91.52	82.86	66.71	80.60	114.26	98.32	73.26	84.53
Japan (485)	133.33	-0.1	120.64	97.92	118.34	97.92	0.7	0.80	133.40	120.79	97.25	117.49	97.25	158.25	107.57	157.91
Malaysia (107)	511.32	-0.3	462.65	375.54	453.82	491.73	0.2	1.38	512.95	464.43	373.93	451.78	490.63	660.85	510.10	566.22
Mexico (27)	1412.71	0.8	1278.24	1037.56	1253.85	12193.68	0.9	1.23	1400.73	1268.24	1021.11	1233.88	12084.97	1445.68	1110.35	1282.76
Netherland (19)	369.61	-0.7	334.49	271.46	328.05	323.69	0.0	2.42	372.29	337.06	271.39	327.89	323.63	372.95	279.88	292.84
New Zealand (14)	87.35	-0.7	79.04	64.15	77.53	67.10	-0.3	4.29	87.92	79.61	64.10	77.44	67.34	95.60	75.94	80.28
Norway (41)	301.32	-0.8	272.64	221.30	267.44	290.60	0.0	2.12	303.87	275.13	221.52	267.63	290.60	321.23	243.88	245.19
Philippines (22)	148.37	-3.5	134.25	108.97	131.69	195.00	-3.5	0.96	153.70	139.16	112.05	135.37	201.99	-	-	-
Singapore (42)	384.57	-0.5	347.97	282.45	341.33	254.23	-0.3	1.11	386.35	349.81	281.64	340.27	254.96	448.01	360.08	414.81
South Africa (44)	358.29	-0.3	324.19	263.15	318.00	349.78	-0.5	2.43	359.37	325.38	261.97	316.51	351.46	370.12	301.49	359.09
Spain (35)	245.14	-1.0	221.81	180.04	217.58	266.94	-0.4	2.45	247.51	224.10	180.43	217.99	268.03	249.45	171.91	177.32
Sweden (49)	448.01	-0.7	405.37	329.04	397.63	509.29	0.0	2.05	451.26	408.58	328.96	397.44	509.29	454.06	334.35	352.20
Switzerland (35)	291.77	-0.6	264.00	214.29	258.96	258.36	0.0	1.30	293.62	265.84	214.04	258.60	258.36	293.62	229.36	235.65
Thailand (43)	63.23	5.8	57.21	46.44	56.12	62.40	4.0	5.00	59.76	54.11	43.57	52.63	60.00	180.09	59.76	178.75
United Kingdom (211)	300.33	-0.9	271.75	220.58	266.56	271.75	-0.9	3.60	302.96	274.30	220.85	266.83	274.30	303.18	229.63	233.06
USA (652)	337.05	0.4	304.97	247.55	299.15	337.05	0.4	1.81	335.79	304.03	244.78	295.74	335.79	340.47	254.79	272.78
Americas (822)	308.36	0.3	279.01	226.48	273.69	259.58	0.4	1.81	307.27	278.21	224.00	270.63	258.64	311.13	233.09	249.23
Europe (725)	261.68	-0.8	236.77	192.19	232.25	241.22	-0.4	2.61	263.79	238.84	192.30	232.33	242.19	263.79	204.71	209.58
Nordic (150)	387.02	-0.9	350.16	284.24	343.50	380.46	-0.2	1.90	390.61	353.67	284.75	344.03	381.17	390.61	291.45	299.86
Pacific Basin (882)	150.72	-0.1	136.38	110.70	133.77	111.17	0.6	1.29	150.79	136.53	109.92	132.81	110.56	170.85	127.18	170.67
Euro-Pacific (1607)	197.02	-0.5	178.26	144.70	174.86	160.28	0.0	2.02	197.93	179.21	144.29	174.32	160.24	197.93	173.55	186.78
North America (765)	328.78	0.3	297.47	241.46	291.79	327.98	0.4	1.82	327.60	296.62	238.82	288.53	326.81	331.86	248.65	266.02
Europe Ex. UK (514)	235.04	-0.8	212.67	172.62	208.61	219.25	-0.1	2.06	236.84	214.44	172.65	208.60	219.48	236.84	185.65	191.59
Pacific Ex. Japan (397)	301.88	0.0	273.15	221.72	267.94	262.74	0.1	2.83	301.91	273.35	220.09	265.90	262.46	320.65	268.97	290.04
World Ex. US (1821)	200.13	-0.4	181.09	146.99	177.63	166.33	0.0	2.01	200.99	181.98	146.52	177.02	166.29	200.99	176.94	188.03
World Ex. UK (2262)	238.15	0.0	215.49	174.91	211.37	209.59	0.3	1.73	238.09	215.59	173.58	209.69	208.95	238.72	199.58	212.28
World Ex. Japan (1988)	300.22	-0.1	271.65	220.50	266.46	288.53	0.1	2.15	300.40	271.99	218.98	264.58	289.30	302.21	233.10	245.42
The World Index (2473)	243.47	-0.1	220.29	178.81	216.09	215.27	0.2	1.92	243.61	220.57	177.59	214.56	214.87	244.18	202.32	214.17

CONSTITUENT CHANGE 20/05/97: Name change: Southern National Corp. to B B & T Corp. (USA). Latest prices were unavailable for this edition. Markets closed 19/5/97: Austria, Belgium, Canada, Denmark, France, Germany, Netherlands, Norway, Sweden and Switzerland.